

FINANCIAL TIMES

Wednesday May 15 1991

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World News Business Summary

Bush chooses Gates as director of the CIA

President George Bush announced Robert Gates, his deputy national security adviser, as director of the Central Intelligence Agency (CIA). President Bush said he had "absolutely no doubts" about Gates' ability to lead the agency, despite controversy over his role in the Iran/Contra affair. Page 19

Rail crash kills 42

Forty-two people were killed and 483 injured when two passenger trains crashed head-on in a rural district of western Japan. Page 4

Nepal PM resigns

Nepal's prime minister quit after being narrowly defeated by a Communist party candidate in the nation's first multi-party elections in 32 years. Page 4

Baker peace bid

James Baker, the US secretary of state, arrived in Jerusalem for talks likely to decide the fate of a proposed Middle East peace conference. Meanwhile, Soviet foreign minister Alexander Bessmertnykh returned unexpectedly to Damascus. Israel unending. Page 4

Kuwaitis 'arrested'

A Kuwaiti opposition group claimed that five of its members had been arrested for putting up posters welcoming home people abroad since the Iraqi invasion. Page 4

Funeral protest

South Korean riot police battled and teargassed mourners at a funeral attended by more than 30,000 people mourning a student beaten to death by police. Page 4

Aid for Bangladesh

Foreign ministers of the European Community agreed to give \$71m of emergency aid to victims of the devastation caused by last month's cyclone in Bangladesh. Page 4

Peace pact near

The end of Papua New Guinea's bloody confrontation with secessionist rebels on the copper-rich island of Bougainville is "within sight", Sir Michael Somare, the foreign minister, said. Page 4

Swiss press Manila

Switzerland added to mounting international pressure on the Philippines to keep its US military bases, warning of instability in Asia if Manila evicted thousands of US troops stationed there. Page 4

Italian probe

Italy's top anti-Mafia official said almost 15 per cent of local administrators, or 17,000 people, were being investigated for possible Mafia links, corruption or abuse of office. Page 4

Pinochet action

A South African union threatened "massive demonstrations" against Barrow Rand, a local company, after reports that it issued an invitation to Chilean army chief Augusto Pinochet. Page 4

Appeal court ruling

Hong Kong's appeal court averted most disruption of the colony's legal system by overturning a ruling passed by a judge last month that 50 out of 61 magistrates had been unlawfully appointed. Page 4

200 seek asylum

Nearly 200 foreigners, mostly Turks or Turkish Kurds, have gone on hunger strike in France in protest at the government's refusal to grant them political asylum. Page 5

Paintings to stay

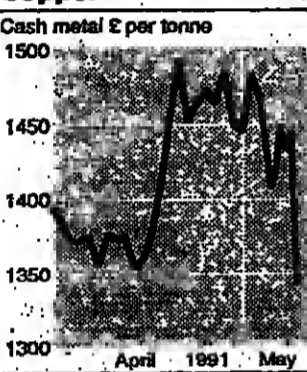
Royal Kato, the Japanese paper magazine who rules a storm by saying he wanted his Van Gogh and Renoir, bought for \$2.5m and \$7.5m respectively last May, turned with him when he died, admitted that he was only joking. Page 5

Congress set for Uruguay Round and Nafta vote

US Congress began clearing the way for a vote to allow Uruguay Round negotiations to continue and launch talks with Mexico and Canada for a North American Free Trade Agreement (Nafta). The Senate Finance Committee, which has authority over trade matters, voted 15-3 to disapprove a motion which experts say would kill the Uruguay Round. But it sent the resolution to the Senate floor. The resolution, introduced by Senator Ernest Hollings, a North Carolina Democrat, would deny President Bush extension of the "fast-track" negotiating authority, meaning Congress cannot amend trade agreements. Page 18

COPPER prices fell sharply in late April trading on the LME, with cash metal closing at \$1,244 (23.25) down 22p. Dealers said the virtual end of the squeeze holding the market at artificially high levels and a new rise in stocks exerted severe downside pressure. Page 30

Copper



MARKETS: Resignation fears affected both Germany and France. Frankfurt retreated further on economic fears and resignation rumours about Mr Karl Otto Pöhl, Bundesbank president, with the DAX index closing 12.40 lower at 1,588.50 on turnover ahead from DM30m (\$1.7m) to DM4.1bn. Paris lost 1.6 per cent on rumours that Prime Minister Michel Rocard was about to resign. The CAC 40 index fell 20.58 to 1,006.57. In Tokyo fell back on continued lack of investor interest. The Nikkei average declined for the third consecutive day, ending down 63.12 at 25,080.05. New York: sharp fall in bond prices and computer sell programs left shares prices weaker in early trading. By 1.30pm the Dow Jones Industrial Average was down \$1.75 at 2,892.67. Reports, Back Page, Section II

FORD of Britain, UK subsidiary of the US car manufacturer, reported an annual pre-tax loss of \$274m (\$48m) compared with pre-tax profits of \$48m in 1989. Page 19

SPAIN may have to revalue the peseta within the exchange rate mechanism of the European Monetary System to continue its tight monetary policies, an influential Spanish research team said. The peseta has been trading at the top of its 6 per cent fluctuation limit. Page 8

US and Japanese trade officials are to resume talks on a new semiconductor trade agreement for the November 1990 pact ending in July. Page 7

THIRD world exporters proposed that the Multi-Fibre Arrangement (MFA) be extended for 1991 after expiry on July 31. Page 7

CONSORTIUM led by Morrison-Knudsen, US construction group, and Bombardier of Canada, which owns Short Brothers of Belfast and Learjet of the US, has been designated sole bidder for the proposed \$4.5bn Texas high-speed train project. Page 7

CITIZEN Watch, Japan's leading watchmaker, posted a 40.2 per cent rise in pre-tax profits to ¥31.2bn (\$152m). Page 21

Mrs Mandela appeals against 6-year jail term

By Patti Waldmeir in Johannesburg

MRS Winnie Mandela launched an immediate appeal yesterday after being sentenced to an unexpected harsh term of six years' imprisonment for her part in the kidnapping and assault of four black youths in 1988.

Legal experts said there was a fair chance the challenge against her conviction would succeed. They said Mrs Mandela, wife of the anti-apartheid leader Mr Nelson Mandela, was unlikely to face jail for at least a year, if at all.

Mr Mandela, who did not

attend sentencing in the Rand Supreme Court in Johannesburg, made clear immediately that the sentence would not jeopardise talks being held on South Africa's political future.

Speaking in the Cape town of Stellenbosch where he had gone to give an address, Mr Mandela, deputy president of the African National Congress, said the sentence would have "no consequences" for negotiations between the ANC and Pretoria.

These are already under threat because of a dispute

about measures to end township violence which has left more than 800 people dead this year. The ANC has warned that it will call off further talks unless the government agrees by tomorrow to ban the carrying of spears at public gatherings.

Public reaction to Mrs Mandela's sentence was muted. Only a small and relatively passive crowd greeted her when she left the court on bail after sentencing. No senior leaders of the ANC were present in the court, reflecting the organisation's desire to avoid allegations that it interfered with the proceedings.

Mr Justice Michael Stegmann criticised what he said was Mrs Mandela's "complete absence of compassion" in dealing with the four boys, who were assaulted and kept against their will in an outside room at her Soweto home. One of them, 14-year-old Stompie Seipei, was later found with his throat slit in a township ditch.

Mrs Mandela was sentenced to a year's imprisonment for being an accessory after the

fact to the assaults, which occurred while she was absent from home, and to five years for planning their kidnapping. Her failure to free the boys on her return home, or to provide medical treatment for their wounds, was condemned by the judge, who said she and her two co-accused showed not "the slightest remorse".

Mr Mandela said his faith in his wife's innocence had been fully vindicated by the verdict of accessory to assault. "I believe she did not know of any assaults or that anybody

was held at the back of her house against their will," he said. "I trust that soon her name will be cleared completely."

A decision on whether to allow the appeal will be taken within a month, but the appeal itself might not come before the court until a year after that - at a time which could prove more politically sensitive than now, because formal talks should have started on a new constitution.

Devoted Nelson may be chief victim of conviction, Page 4

Bundesbank chief expected to announce resignation

By David Goodhart and David Marsh in Bonn, Andrew Fisher in Frankfurt and Peter Norman in London

MR Karl Otto Pöhl, president of the Bundesbank, is expected to announce tomorrow that he intends to leave the job before his official retirement date at the end of 1995.

After weeks of speculation about his future, which has reached a new pitch in the past few days, the German central bank would only say yesterday that Mr Pöhl "regretted" the speculation about his intention to resign and that he would make a statement after the bank's central council meeting tomorrow.

There was also no official confirmation from the Finance Ministry in Bonn, from where the latest rumours of Mr Pöhl's resignation appear to have come.

The lack of a firm denial from the bank has led most analysts to assume that there is some foundation to the rumours.

Arriving for Frankfurt's annual banking dinner last night, Mr Pöhl looked cheerful but reluctant to comment as he entered the town hall with Mr Robin Leigh-Pemberton, governor of the Bank of England.

Mr Pöhl, 61, has let it be known in the past that he would probably leave for a job in business or in the international financial establishment before completing his second eight-year term.

But he had been reluctant to leave before securing compromises acceptable to the Bundesbank on European Monetary Union and on the bank's own restructuring.

Last weekend's meeting of European Community finance ministers, which agreed to postpone the establishment of a European central bank until 1996 or 1997, and the emerging compromise on Bundesbank



Karl Otto Pöhl: a position in the private sector beckons

restructuring, may have persuaded Mr Pöhl that he could now leave with a clear conscience.

German bankers expect that Mr Pöhl will announce his resignation, after the Bundesbank council meeting tomorrow, according to a survey published yesterday. But opinion was divided over whether he would step down immediately.

A survey of 24 leading German banks published yesterday by MMS International, the

financial research company, found that 62 per cent of those polled thought Mr Pöhl would announce his resignation after 38 per cent expecting him to stay.

Of those expecting him to resign, 53 per cent thought he would announce his leaving date rather than resign with immediate effect.

If he does announce his early retirement he is almost certain to set a firm date, which could be as early as the end of this

Central and Hispano merge to form Spain's largest bank

By Peter Bruce in Madrid

BANCO Central and Banco Hispano Americano, two of Spain's largest commercial banks, are to merge, creating the country's biggest bank with a combined stock market value of Ptas600 (\$7.54bn), combined assets of Ptas1,000 (\$12.5bn) and a potentially heavy French and German presence on the new board.

The two banks said they had agreed on a "merger by absorption" in which Central will absorb Hispano by offering five of its shares for six in Hispano.

The move was sparked by the announcement two weeks ago that the government intended to merge all its financial institutions into one large bank to compete "better" in the markets. The merger met little enthusiasm from analysts in Madrid.

"There is nothing good to say about this merger," said one senior Madrid broker, who did not wish to be named. "Hispano has just got itself out of one hole and is jumping into another. At least, though, it is a chance to put some fresh

management into Central." Nevertheless, the Spanish finance minister, Mr Carlos Solchaga, said he was pleased with the move. The government had hoped the creation of Corporación Bancaria de España (CBE), its merged public bank which will be led by Banco Exterior, would encourage others to do likewise.

Until overtaken by the creation of Banco Central Hispano Americano yesterday, the CBE was poised to become the biggest bank in the country.

Madrid has been concerned that Spanish banks will remain too small to compete effectively in the European Community after the advent of the single market.

Its efforts to encourage mergers in the late 1980s resulted only in the marriage of Banco de Bilbao and Banco de Vizcaya into Banco Bilbao Vizcaya and the controversial failure of Banco Central and Banesto to do likewise.

According to the agreement announced yesterday, Mr Alfonso Escamez, Central's 76

year old president, will run the new bank until the second half of next year. Thereafter, the presidency will pass to Mr Jose Maria Amusatategui, who became president of Hispano last year.

Central and Hispano each control large regional banking groups and, Central particularly, has the largest industrial portfolio of any of the Spanish banks.

Its industrial group, which includes Cepsa, the oil refiner and Dragados, the biggest contractor in Spain, is said to account for about 3 per cent of Spanish GDP, outstripping the newly created Corporación Industrial de Banesto.

Hispano has a 10 per cent stake held by Commerzbank of Germany while Central has invited three friendly French shareholders onto its board in the last two years. Between them UAP, the French insurance group, the Bouygues construction group and ELF now hold about 12 per cent of Central. Background, Page 21

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France reopens the great nuclear waste storage debate

Michel Rocard, the French prime minister, was obliged 15 months ago to impose a moratorium on geological tests for nuclear waste storage sites because of violent local opposition, but the search is on once again. Page 3

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MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: \$1.7475	New York lunchtime: 2463.7 (-22.5)	FT-SE 100: 1825.3 (-17.3)
London: \$1.7385 (1.732)	DM1.7005	FT Ordinary: 1825.3 (-17.3)
DM2.9575 (2.9575)	FF5.746	FT-A All-Share: 1,193.31 (-0.9%)
FF10.1075 (10.055)	SF11.4289	New York LUNCHTIME
SF2.49 (2.5)	V157.85	DJ Ind. Av. 2,887.3 (-37.12)
Y240.25 (241.5)	DM1.7015 (1.714)	S&P Comp 372 (-4.76)
2 Index 91.8 (91.8)	FF5.7825 (5.805)	Tokyo: Nikkei 26,030.08 (-63.12)
OCLES	SF11.432 (1.443)	3-month interbank: closing 11.2% (11.2%)
New York: Comex Jun \$387.2 (359.8)	Y138.2 (139.4)	Long Bond: 97% yield: 8.350%
London: \$357.8 (357.25)	S Index 65.8 (66.2)	
US lunchtime rates	Tokyo close: Y139.2	
3-month Treasury BIR: yield: 5.83%	Fed Funds 5 1/2%	
10-year Treasury BIR: yield: 8.350%	3-month Treasury BIR: yield: 5.83%	
10-year Treasury BIR: yield: 8.350%	10-year Treasury BIR: yield: 8.350%	
Chief price changes yesterday: Page 19		

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Manila	1
Sydney	1
Melbourne	1

Revaluation of peseta in ERM proposed

By Peter Bruce in Madrid

SPAIN MAY have to revalue the peseta in the exchange rate mechanism of the European Monetary Union in order to continue its tight monetary policy while easing pressure on the currency, an influential Spanish research team said yesterday.

The peseta has been trading at the top of its 6 per cent fluctuation limit in the mechanism against the French franc for most of this year, forcing the central bank to intervene constantly. It has drawn fire from Paris, which says it cannot cut interest rates to boost the French economy without breaking the franc's ERM limits against the peseta.

The research department of Spain's biggest bank, Banco Bilbao Vizcaya (BBV), warned yesterday that money supply and credit growth were breaking targets, "obliging the Bank of Spain to maintain monetary discipline, although EMS pressures could force some reduction in interest rates in the next few months."

Nevertheless, it said, "the Bank of Spain could hold to its strict policies and force the peseta into a narrow fluctuation band in the ERM along with the other countries, including Britain, if it slightly revalued its central ERM parities upwards."

The peseta and sterling trade in 6 per cent bands in the ERM, while other currencies,

including the franc, are limited to movements of just 2.25 per cent against each other.

The BBV's suggestion is the first time the possibility of a peseta revaluation has been raised publicly this year. However, several senior private sector economists and bankers have been urging one on the government.

In March, the central bank cut its official intervention rate by one point to 13.5 per cent, but the peseta barely moved from its ceiling. Madrid later lifted the last of its capital controls to encourage an outflow of funds but this too had little effect, largely because Spain's real interest rates remain the highest in the EC.

In its regular economic commentary, the BBV research team also said that the economy was beginning to show signs of expansion after a stiff, officially imposed, credit squeeze last year. New growth now, the bank warned, "would considerably shorten the period of economic adjustment (cooling) envisaged by the authorities."

The main element of good news in the economy was that consumer prices appeared to have stabilised. Figures published yesterday showed prices rising just 0.2 per cent in April, which holds annualised inflation at 5.9 per cent for the third month in succession. Banks merge, Page 21

Madrid aims to stem North African tide

By Peter Bruce

SPAIN is requiring Moroccans, Algerians, Tunisians and Mauritians entering the country to have visas from today in an effort to stem the tide of North African migrant labourers entering the European Community.

More than 5m Moroccans passed through Spain last year, most of them on their way to work, legally, in France and northern Europe. But the Spanish have come under great pressure to help strengthen EC efforts to prevent illegal migration.

On average, the populations of the Maghreb countries are growing twice as fast as their economies and European leaders have begun to worry seriously about heavy immigration sparking political conflict in their own countries.

EC members have to agree to a Community-wide visa regime before the advent of the single market in 1993. Western diplomats in Madrid say the Spanish decision to impose visas now is a measure of the government's concern that any domestic conflicts in North Africa could quickly swell the number of illegal arrivals.

Madrid has no firm idea of how many of the 450,000 foreigners thought to be living in Spain are there illegally but recently inspired clashes have already occurred in Catalonia. In the run-up to the imposition of visas, officials say thousands of Moroccans have tried to enter the country.

The government is planning to regularise the status of these North Africans already in the country without residence or work permits in an effort to cool tensions with Maghreb capitals. Algeria has already said it will immediately require visas from visiting Spaniards but Morocco and Tunisia are unlikely to retaliate for fear of frightening away tourists.

Work on a common EC visa regime will get harder though, if next year Madrid's EC partners insist on requiring visas from Latin Americans. That would force Madrid into a confrontation with its former colonies.

Asylum seekers in French protest

By Ian Davidson in Paris

NEARLY 200 foreigners have gone on hunger strike in France, in protest at the government's refusal to grant them political asylum.

The action has spread rapidly in several cities. Most protesters are Turks or Turkish Kurds, although there are Angolans, Zaireans, Gambians and Malians too.

The scale of the protest is starting to embarrass the authorities. Mr Philippe Marchand, the interior minister, yesterday promised to re-examine the hunger strikers' cases individually, on humanitarian grounds, but he made clear there could be no wholesale reversal of the restrictions on political asylum.

Most of the Kurds from Turkey, he said, had come for economic reasons. France has recently tightened its asylum rules, which had become an indirect loophole in immigration controls. Until a year ago, investigation and processing of political asylum applications could take several years, during which time applicants were granted work permits. At the end of the bureaucratic process, 80-90 per cent of applications were rejected. However, by then the applicants were effectively settled in France, and most managed to remain secretly.

The alarm bells started ringing in 1989, when the number of asylum demands in France jumped in one year from 34,000 to 61,000. The government responded by speeding up the investigation process, and instead of granting work permits, it started to provide a minimum financial allowance.

The first result is that the time lag between application and (in most cases) rejection has been shortened to a few months. The second is that there has been a steep increase in the number of foreigners whose asylum application has been rejected (estimated at around 100,000) who are now due for deportation.

No one knows the total figure of illegal aliens, but an independent survey published yesterday estimated there are 217,000-244,000 in the Paris region alone.

Portuguese daily goes private today

By Patrick Blum in Lisbon

PORTUGAL'S last state-owned daily newspaper and one of its oldest will be privatised today through a flotation on the Lisbon stock exchange.

Diário de Notícias, established in 1864, was nationalised with much of the Portuguese press in March 1976 and rapidly accumulated serious financial troubles from which it only recovered in 1987. Since then, shareholdings have been steadily sold.

With daily sales of about 60,000, mostly in Lisbon and the south of the country, its circulation puts it among the country's top four newspapers.

Diário de Notícias is widely respected as a serious if somewhat dull newspaper though it has been modernising its look with new technology.

The sale of 2m shares is divided into four tranches: 200,000 shares are reserved for employees, 500,000 shares for journalist co-operatives, another 500,000 shares for companies with majority shareholdings in the media, and the remaining 800,000 shares for general investors. Foreigners cannot buy more than 10 per cent of the total shareholding. The sale is expected to raise above Esc 8bn (€30m).

French to make cleaner job of nuclear waste

By William Dawkins in Paris

FRANCE, which depends more than any other country on nuclear energy, is today due to relaunch long-stalled attempts to find a deep-storage site for waste generated by its 57 reactors.

Mr Michel Rocard, the prime minister, was obliged 15 months ago to impose a moratorium on geological tests for deep storage because of violent local opposition at three of the four sites chosen, compounded by what officials now admit was failure to consult the public. The discovery last year of unusually high radioactivity at a former surface storage site has since given the normally disorganised Green Party something of a boost.

This time the government is hoping to avoid previous mistakes by asking parliament to decide, rather than simply issuing instructions to the CEA atomic energy authority.

Today's weekly cabinet meeting is due to adopt plans to restart geological tests on two as yet undeclared sites. Parliament will vote again on the site of the final dump in 10 to 15 years' time in the light of the test results. In the meantime, high-level waste would continue to be stored above ground at La Hague in northern Brittany and Marcoule in Provence.

The new test sites will be chosen on the advice of an independent expert, likely to be Mr Christian Bataille, the Socialist MP from Nord-Pas-de-Calais, the area which embraces France's largest nuclear power station, near the coastal town of Gravelines. He is the author of an all-party parliamentary report recommending that deep storage is the only option.

As a recognition of their contribution to this national problem, the communes chosen for testing would be paid around FF50m (€5m) annually, half the local tax revenues they would get from an average nuclear power station. And, the state-controlled nuclear waste management agency would meanwhile be made independent from the CEA to soothe public suspicions that it was under the nuclear energy authority's total control.

Fortified by Mr Bataille's report, the government is keen to forge ahead as soon as possible because France's huge nuclear energy industry - supplying more than 80 per cent of the country's electricity - is clearly incomplete without proper waste storage.

"If anything, it's a moral problem. The government believes that we can't leave it to future generations to decide what to do with the nuclear waste produced by this generation," says Mr Claude Mandil, energy director general for the industry ministry. Even if all goes smoothly in the debate, it will be up to 15 years before construction of a FF10bn deep storage site can even begin.

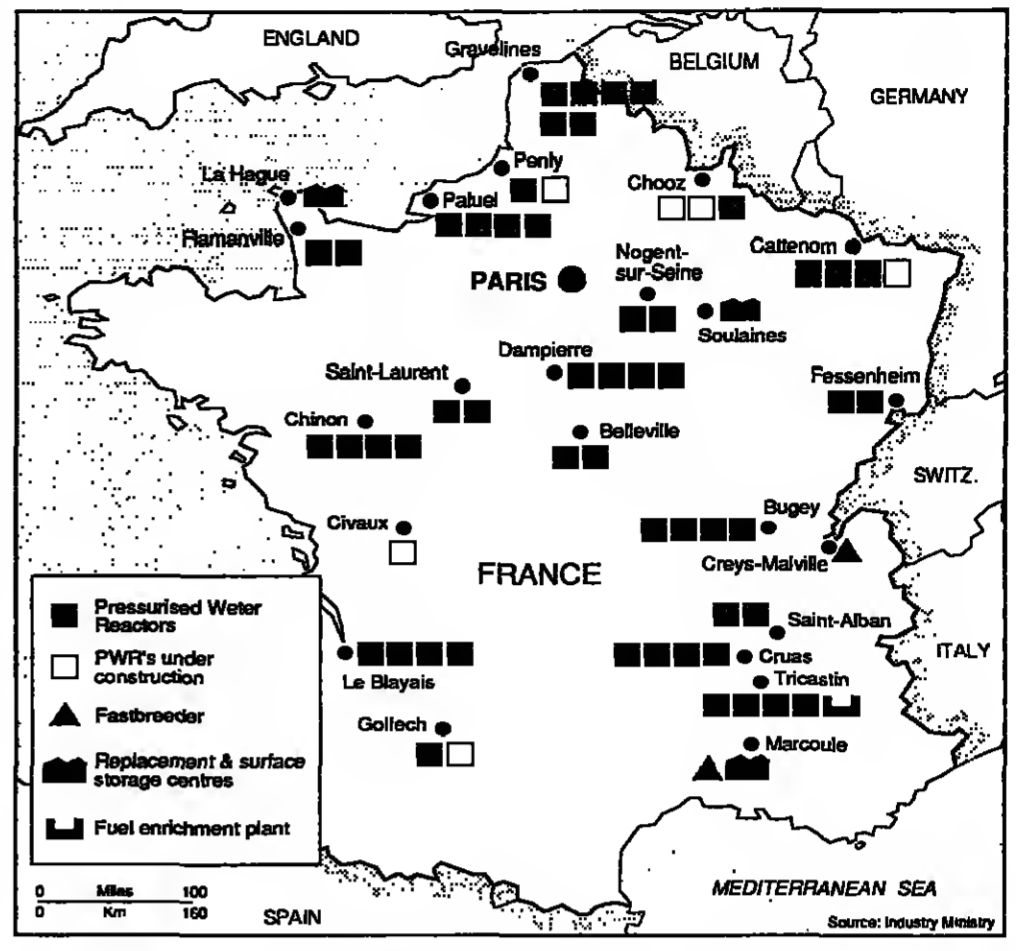
For all the general public's nuclear sensitivities, industry officials believe the political establishment continues to support nuclear energy - and therefore deep storage - strongly enough to give the plan a majority when parliament debates it next month.

The main source of opposition will probably be from a handful of environmentally sensitive MPs in the ruling Socialist party, backed by those independents sensitive to the lobbying of the Green Party, which has no national MPs but which took 11 per cent of the vote in the last European elections.

The government has gone to great lengths to prepare public opinion for this second attempt to solve the storage problem. One result has been a beginners' guide to nuclear energy written by Mr Mandil, in which technical explanation is leavened with satirical comment from Platinu, the leading French cartoonist.

One cartoon, referring to fuss generated last year by the discovery of traces of benzene in Perrier water, shows an alarmed nuclear worker clad in safety gear, standing in front of a leaking pipe as he tells his boss: "Chef - we have found traces of Perrier."

L'Energie Nucléaire en Questions, FFy49 from Le Cherche Midi Editeur, 23 Rue du Cherche-Midi, 75006 Paris



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INTERNATIONAL NEWS

Devoted Nelson may be chief victim of Winnie's conviction

Nothing has proved more painful since Mandela's release 15 months ago from a life sentence, writes Patti Waldmeir

OF ALL the difficulties which Nelson Mandela has faced since he left jail 15 months ago, none has proved so painful as to see his wife branded a liar and a criminal and sentenced to six years' imprisonment.

That may well prove the most important implication of the conviction of Mrs Winnie Mandela, who was yesterday sentenced to five years for kidnapping and one year as accessory to the assaults of four young men in Soweto in 1988.

Mr Mandela, 72 years old, seemed to crumple after the verdict was read on Monday. No longer the erect and dignified leader, he looked like the old man that he is: a septuagenarian who follows a schedule which would lay low a man decades younger.

The conviction - which legal experts say could yet be overturned

on appeal - will provoke no direct ruptures between the African National Congress (ANC) and the Government. Mr Mandela said as much, immediately on hearing the sentence.

The issue could exacerbate already existing divisions within the ANC. Many ANC leaders feel that, as a convicted criminal, Mrs Mandela must resign immediately from her ANC posts - among others, she is head of social welfare - pending an appeal which may not be heard before a year has passed.

Indeed, long before Mrs Mandela's three-month trial in the Rand Supreme Court began, she was found guilty by the rough and ready justice of some of her peers in Soweto. Her Soweto home was burnt down after she was accused of the activities of her bodyguard, the notorious "Mandela United Football Club". In that instance, members of the club were accused of raping a teenage girl. The crimes for which

Mr Mandela could find himself head of state in the first post-apartheid government with a first lady who is serving a prison sentence

Mrs Mandela stood trial also involved the "club". Earlier this month, in a secret ballot for the leadership of the ANC Women's League, Mrs Mandela - dubbed "Mother of the Nation" for her opposition to apartheid - was heavily defeated. The decision must have been influenced by the chilling evidence being heard simultaneously in the Rand Supreme Court.

Even more recent tests of Mrs Mandela's popular support have also proved unconvincing: the crowd which greeted her on the steps of the court building yesterday numbered only a few hundred, and many of those were passers-by. The odd cry of "Winnie we love you" was heard, proclaimed all the more loudly

because the chorus was so small. But she is not without a power base in the ANC, and especially in its ultra-radical Youth League, where her designer battle fatigues and immoderate statements prove wildly popular. A speech of hers in 1986 giving her backing to the barbaric practice of "necklacing" - killing, outraged whites and conservative blacks - but gave her an immediate status within radical ranks.

Mr Chris Hani, chief of staff of the ANC military wing and a noted militant, promised recently that an ANC government would release her from jail if the Pretoria authorities imprisoned her. One of the ANC's most senior leaders recently predicted privately that a conviction would virtu-

ally assure Mrs Mandela election to the organisation's national executive committee when a poll is held in July. Young radicals are likely to see her guilty verdict as another incident of apartheid at work, a further attempt to victimise a woman banned, detained and harassed by Pretoria for 30 years.

But her most loyal supporter is undoubtedly the husband who remains devotedly convinced of her innocence. The three-month trial has taken its toll of him, at a time when township violence is putting him under an intolerable strain - many township blacks blame him for failing to protect them - and when his relations with the National Party government are threatened.

If there is a groundswell of support for the ultra-radical Mrs Mandela, this will make Mr Mandela's task of seeking compromise with the government all the more difficult. His efforts at developing an integrated South Africa, at a time when

black suspicion of whites is running high because of allegations that right-wing whites, including police, have incited township unrest, may have been damaged by the trial.

Mr Mandela's health could well suffer as the case drags on to appeal, and Mrs Mandela labours under the various condemnations of Mr Justice Michael Stegmann: that she was "a calm, composed, deliberate and unblinking liar"; that she masterminded the kidnapping of four youths, one of whom was later found with his throat slit in a Soweto ditch; that she knew they had been assaulted but wilfully ignored their plight; that she betrayed her duties as a community leader and displayed a total lack of compassion.

In the most extreme case, Mr Mandela could find himself head of state in the first post-apartheid government with a first lady who is serving a prison sentence. It is scarcely a happy prospect for him, or for the new South Africa.

Japan shocked as 42 die in rail crash

By Stefan Wagstyl in Tokyo

FORTY-TWO people were killed and 453 injured yesterday in Japan's worst railway accident since 1963.

The accident shocked Japanese, who place the highest confidence in the reliability of their railway network, including the famed bullet trains. Mr Toshiki Kaifu, the Japanese prime minister, expressed his regret and has promised an immediate investigation.

Two passenger trains crashed head-on in the collision which occurred on a single-track line in a rural district of western Japan. One train was crowded with more than 500 passengers, some standing in the aisles, travelling to a local pottery festival. The two trains were meant to pass each other at a passing point, but the crowded train was late leaving its last station.

The crowded train was being operated by West Japan Railway, a division of the state-owned Japan Railway Corporation. The other train was being run by Shikoku Railway, which also owns the line on which the accident occurred.

Shikoku Railway normally runs 18 round-trips daily on the line but this was increased to 27 during the festival, including two trains run by West Japan Railway. The investigation into the crash will centre on whether an automatic signalling system on the line was working properly and whether railway staff gave the required manual signals.

Algerian party drops candidates

Algeria's ruling National Liberation Front (FLN), facing multi-party general elections for the first time ever, has dropped more than 80 per cent of members of parliament from its list of candidates. Reuter reports from Algiers.

Many prominent figures from the FLN's socialist past have disappeared from its list of candidates, reflecting its rapid transformation from the country's sole political party to a reformist party competing with more than 40 other groupings.

UN Cambodia team

A United Nations military mission arrived in Phnom Penh yesterday to observe a ceasefire from the Cambodian government side after guerrilla armies pledged to keep to the truce. Reuter reports from Phnom Penh. The official UN news agency said the UN team would tour areas of western and southern Cambodia where heavy fighting was reported up to the voluntary May 1 ceasefire.

Aid for Indonesia

Indonesia's aid donors are likely to offer the same amount this fiscal year as last year, the chairman of its donor consortium said yesterday. AP-DJ reports from Jakarta. Mr Jan Pronk, secretary of the Dutch government, told reporters after a meeting with President Suharto that the Inter-governmental Group on Indonesia is satisfied with the way Jakarta has carried out its economic policies during the past year.

Robert King

Robert King, long-time correspondent in Taiwan for a number of UK, Australian and North American publications and radio news networks including the Financial Times up to 1988, died in hospital in Taipei on Monday as a result of complications arising from a kidney operation. Bob King, 45, an American, had been based in Taipei since the late 1970s and was a well known figure among the Asian-based foreign correspondents' press corps.

Moscow hosts the final act in ending Sino-Soviet rift

By Yvonne Preston in Peking

WHEN China's Communist party boss arrives in Moscow today to meet his Soviet counterpart, Mr Mikhail Gorbachev, he will be the first Chinese party leader to set foot on Soviet soil since Mao met Khrushchev in November 1957.

The four-day summit in the Soviet capital is the culmination of a long process of normalisation since relations between the two Communist countries broke down in 1961.

Decades of feuding followed the rift until Mr Gorbachev's visit to Peking in May 1989, and nearly 30 years of enmity were formally ended when he shook hands with Deng Xiaoping and the then Chinese party chief, Zhao Ziyang.

The occasion should have been a diplomatic triumph for the Chinese leaders but it was marred by the embarrassment of mass student protest in the heart of the capital, Tiananmen Square, and the serious loss of face it caused them. In Moscow, the tables will be turned.

China's leaders will be turned to the Soviet Union which faces collapse and a host of problems, while China appears politically stable and economically capable even of providing a little economic aid to its former enemy.

Jiang Zemin's Moscow visit is the final act in the process of healing the rift, at a time when Communist parties are fast disappearing elsewhere. (China is reportedly anxious to see a reference to "socialism" in the final summit communiqué - the Soviets are not enthusiastic - because Peking is nervous of being the world's last standard-bearer for Communism).

The summit has been given

added importance in the eyes of Chinese leaders by the fact that it marks the 30th anniversary of the American relations, the New China News Agency calling it "an event of great significance in the history of Sino-Soviet relations".

It may also serve to boost the standing of the colourless Jiang, 65, the stocky former mayor of Shanghai hand-picked by Deng Xiaoping as party secretary when the previous incumbent Zhao Ziyang, another Deng protégé, fell from grace after the Peking massacre. Jiang is also chairman of the powerful Military Commission, succeeding Deng when he relinquished his last official title in 1989.

Jiang was in Moscow 35 years ago where he worked for the Chinese leaders but it was marred by the embarrassment of mass student protest in the heart of the capital, Tiananmen Square, and the serious loss of face it caused them. In Moscow, the tables will be turned.

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The summit has been given



Mr Madan Bhandari, general secretary of the Nepal Communist party, salutes his supporters

Nepal PM resigns after losing seat to communist in election

By Rose Harrington in Kathmandu

NEPAL'S prime minister resigned yesterday after being narrowly defeated by a Communist party candidate in the nation's first multi-party elections in 32 years.

"I have accepted the verdict of the people," said Mr Krishna Prasad Bhattarai, who led Nepal's coalition cabinet since last year's April revolution against King Birendra. Mr Bhattarai also tendered his resignation as acting president of the Nepal Congress party.

Mr Bhattarai lost his Kathmandu constituency seat to Mr Madan Bhandari, general secretary of the Nepal Communist party (United Marxist-Leninist) by 761 votes (27,372 to 26,621).

Tens of thousands of jubilant Communist party supporters celebrated in the streets of the capital after the result was declared, amid a heavy security force presence.

This fuelled speculation that the king might impose a state of emergency in the event of a communist government being

formed. Congress, a centre party backed by India, is running neck-and-neck with the communists.

With one-third of the votes counted from last Sunday's election in the kingdom of 18m people, Congress leads with 33 seats, while the Communists have won 27 constituencies.

Final results are expected to be announced by the end of the week. In the meantime, Mr Bhattarai accepted a request by the king to serve as acting prime minister until the new government is formed.

The strong communist showing in the election has sparked fears that Nepal's fledgling democracy will be ruled by an unstable coalition, regardless of which party ultimately leads the new government.

Mr Bhattarai's defeat is expected to create a crisis within the leadership of the Congress party, which is divided between those who would favour a coalition with the royalist parties backed by

the king, and those who would prefer some kind of political accommodation with the communists.

"Bhattarai was a moderate who could bring together these two factions in a compromise," said Mr Jan Sharma, editor of the weekly newspaper, The Independent.

The most likely successor as leader of the Congress party is GP Koirala, a staunch anti-communist and general secretary of the Congress party.

The communists are equally divided between the hard-left faction led by Mr Bhandari and a more moderate faction led by Mr Man Mohan Adhikari.

It remains unclear which faction would form a new government, should the communists win the election nationwide, or whether a coalition can be formed between the communists and the Congress party, in the wake of what was a highly emotional and tense campaign.

Israel unbending on Syrian peace talks demands

By Hugh Carnegie in Jerusalem

THE ISRAELI government yesterday showed no sign of budging on the key issues barring the way to a proposed Middle East peace conference as Mr James Baker, the US secretary of state, arrived in Jerusalem for talks likely to decide the fate of his mission.

In an unusual move perhaps meant to symbolise his efforts to bridge the yawning Arab-Israeli gap, Mr Baker forsook his airliner and travelled to the disputed Holy City overland from Amman, where he had met King Hussein.

His route took him past Palestinian refugee camps in Jordan, over the Allenby bridge crossing point on the Jordan River into the Israeli-occupied West Bank and up to Jerusalem from Amman, where he had met King Hussein.

Mr Alexander Bessmertnykh, the Soviet foreign minister, who has worked closely with Mr Baker over the past week, sounded an optimistic note when he returned unexpectedly to Damascus for his second round of talks with Syrian leaders within the last week.

We can say hopes are increasing and all countries are working to adopt measures for holding a peace conference. There are problems which need to be solved and we are continuing to work," Mr Bessmertnykh said.

However, US officials have struck a much gloomier note, admitting there remained great differences between Syria and Israel on two central issues.

Kuwaiti opposition party says five members detained

By Our Middle East Staff

A KUWAITI opposition group said yesterday that five of its members had been arrested at the airport for putting up posters welcoming home people who had been abroad since before the Iraqi invasion.

The five, members of the Islamic Constitutional Movement (ICM), were said to have been arrested on Saturday. The organisation added that they had all been in Kuwait throughout the occupation and had been active in the resistance.

The ICM is one of at least seven groups campaigning for the introduction of democratic reforms and a reduction in the power of the ruling al-Sabah family. Although the authorities have promised greater public participation in government and eventual elections no timetable has been announced.

The opposition has been particularly critical of the composition of the new government announced more than three weeks ago. A subsequent attempt to hold a joint press conference at a Kuwait hotel was banned and the opposition has been unable to find another venue.

Tens of thousands of Kuwaitis are due to return during the next few weeks, many of them for the first time since Iraqi forces were forced to withdraw at the end of February. However, the government expects that many will again leave once they have inspected their property and assessed how quickly repairs, where needed, can be carried out.

The government has announced that it expects to begin soon the trials of more than 200 people accused of collaborating. Most of them are believed to be Palestinians.

Japanese corporate family row becomes public feud

A piqued executive is to complain to President Bush about his Nissan parent, writes Robert Thomson

A SQUABBLE at Japan's largest maker of rear-view mirrors is providing an unusual perspective on the Japanese corporate families, known as *keiretsu*, and has prompted a piqued executive to write to President Bush to complain about his Nissan parent, writes Robert Thomson.

The mirror maker, Ichikoh Industries, is also the second largest producer of car lights and an affiliate of Nissan Motor, which is blamed by Mr Tetsuya Tsukatanai for orchestrating his removal as chairman. He also claimed that the car maker did not want his 44-year-old, Stanford-educated son to head the company.

It is rare for Japanese corporate bickering to flow out of the boardroom, but Mr Tsukatanai, 71, is stirring for maximum impact. Yesterday he called a press conference to announce his campaign against Nissan and to reveal a few diary extracts detailing meetings of the corporate family members. Mr Tsukatanai suggested

that Nissan disapproved of his chairmanship because he wanted to keep Ichikoh out of the car makers' *keiretsu* grouping and free to conduct business with other regular customers, including General Motors and Chrysler.

A spokesman for Nissan said that the company has a 20.9 per cent stake in Ichikoh and, as the leading shareholder, had a right to "express an opinion" on management and personnel issues. But Nissan insisted that the removal of Mr Tsukatanai in late February was entirely the responsibility of the 20-member Ichikoh board.

"We had stated our opinion regarding the top personnel, but this is really an in-house problem. It was up to Ichikoh. We know that Mr Tsukatanai wanted to make his son the president, but almost all of the board members were against it," the spokesman said.

Mr Tsukatanai, whose father founded the company, professes to por-

tray the decision as an example of the Nissan *keiretsu* unfairly exercising influence; he said that his downfall came three days after a meeting with Nissan executives at which he was told to resign.

Mr Tsukatanai wants prosecutors to take action against two Ichikoh officials, who allegedly represented his dismissal as a resignation. However, he apparently has no plans to take legal action against Nissan.

He compared his fate to that of Mr T. Boone Pickens, the Texan investor who took a 28.4 per cent stake in Kotto Manufacturing, Japan's largest maker of car lights and a member of the Toyota Motor group.

Mr Pickens recently announced that he will sell the stake, bought with funds borrowed from a Japanese stock speculator, after having failed to gain a place on the Kotto board and claiming that Japanese corporate fam-

ilies remain closed to outsiders. The complexity of the *keiretsu* is highlighted by the fact that Toyota also has a 6.1 per cent stake in Ichikoh, while two other vehicle builders, Isuzu and Daihatsu, have small stakes in the company, which reckons that 50 per cent of its sales are made to Nissan.

US officials have targeted the *keiretsu* networks as a trade problem and Washington has commissioned several studies to quantify their influence on sales and materials purchases.

While Mr Tsukatanai has promised to reveal all in his letter to President Bush, he did not provide much insight yesterday into *keiretsu* collusion.

He said that the biggest problems for smaller members of the group was the pressure for price cuts applied by *keiretsu* leaders such as Nissan. And he suggested that being forced to join the family reduced the initiative of employees, who felt that they were

insignificant members of a big group. "Independence is important for the workers' morale. Once you are a *keiretsu* member, you simply become another Nissan factory."

In order to provide good service for other customers and for customers in the US, you have to be independent. If Nissan controls Ichikoh, it will hurt competition," Mr Tsukatanai claimed.

As for the elevation of his son, a managing director at Ichikoh, who spent three years in Nissan's overseas department, Mr Tsukatanai wrote in a letter to Nissan executives that he could find no one more capable at Ichikoh.

"When I think about a person who will continue with my philosophy, although young, I think of Tetsuya, my son. Even though there are some things that he will not attain, his integrity cannot be bent and he will protect Ichikoh's independence," he wrote.

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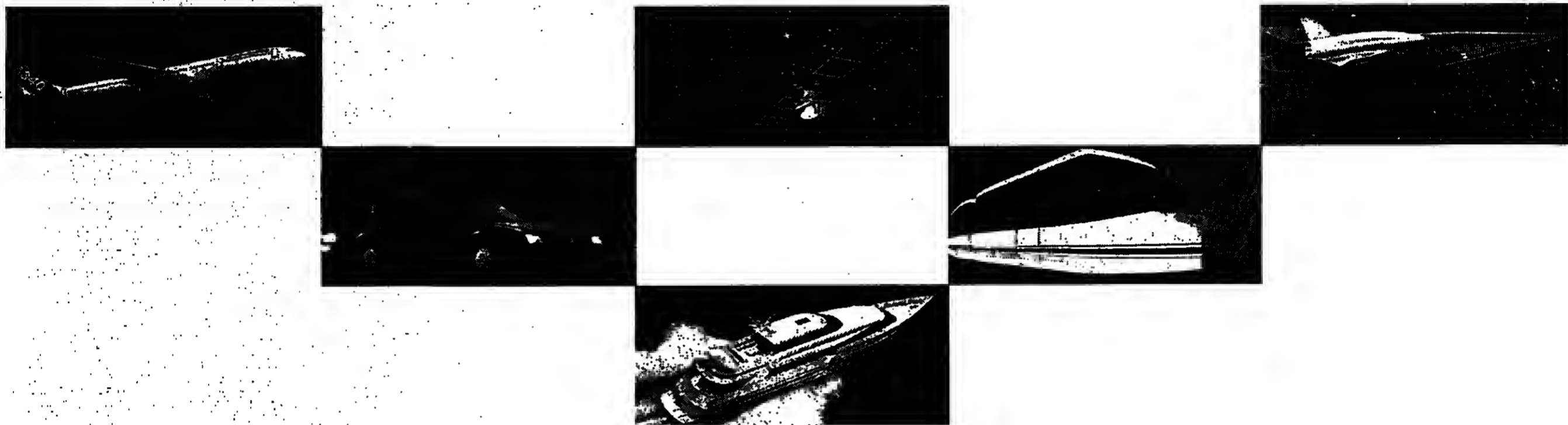
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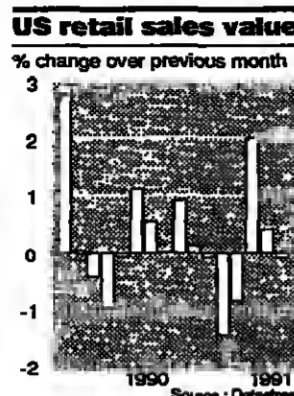
AMERICAN NEWS

Decline in US retail sales less than forecast

By Michael Prowse in Washington

US RETAIL sales fall fractionally in April but yesterday's sharp upward revision for March unsettled the US bond market. Separate figures showed a modest 0.2 per cent increase in consumer prices, further evidence that the still weak economy is curbing inflationary pressures.

Retail sales, after seasonal adjustment, fell 0.1 per cent last month - considerably less than the 0.4 per cent decline expected in financial markets. The Commerce Department also sharply revised figures for March to show an increase of 0.4 per cent instead of a decline of 0.8 per cent.



The 0.2 rise in the index followed a 0.1 per cent fall in March. So far this year consumer prices have risen at a seasonally adjusted annual rate of 2.5 per cent, compared with a rise of 6.1 per cent for 1990 as a whole.

Recent small increases in prices suggest the sharp rise in January and February was an aberration. Excluding the volatile food and energy components, "core" consumer prices rose 0.2 per cent last month and at an annual rate of 4.4 per cent in the past three months. This compares favourably with an annual core inflation rate of 5.9 per cent in the three months to January.

The better retail sales figures since February reflect a modest rebound in purchases of durable goods such as cars - partly a reflection of falling interest rates.

The bond market, already subdued by last week's record \$37bn (£21.5bn) Treasury refunding, responded negatively to the news as analysts discounted the prospect of further interest rate cuts. By midday the benchmark long bond was down nearly a full point at 97 1/2. Shares were also weak, with the Dow Jones index down 27.56 points at 2936.47 at midday.

For retail sales the overall picture in recent months is of sharp decline between November and January, followed by recovery in February and March - and stability last month. On average, sales in the past three months were 0.9 per cent higher than between November and January and 1.1 per cent above the level of a year ago.

Argentine military rebuffed

EFFORTS by Argentina's armed forces to wring an increase in military spending from the government have been firmly rebuffed, writes John Barham in Buenos Aires.

Mr Barham González, the defence minister, fired the navy's second-in-command on Monday evening and the Economy Ministry firmly rejected demands for more money.

Re-Admiral Antonio Mozarelli was sacked for making "inopportune" public statements about the armed forces' dwindling budgets. He said last week that insufficient military spending had left Argentina "defenceless", while salaries did not "last to the end of the month".

Drexel sensitive about delicate compromise

Nikki Tait reports on the complex settlement between the US investment bank and its creditors

LAWYERS for Drexel Burnham Lambert, the controversial US investment bank which filed for Chapter 11 bankruptcy protection 15 months ago, were emphatic - no quotes.

This after having summoned the press to their Upper East Side offices to explain an inordinately complex settlement between their client, its creditors and the various parties who have brought legal action against Drexel.

When journalists quibbled, the response was blunt: take it or leave it. No one, they claimed, wished to jeopardise the matter, which lays the groundwork for Drexel's reorganisation and comes after months of hard bargaining.

Such sensitivity about a document already filed in open court is instructive. It underlines the extent to which this crucial securities litigation settlement - which ends legal action against Drexel itself - is a delicate compromise, achieved thanks to the prodding of an 84-year-old judge and a good dose of pragmatism on the part of the lawyers themselves.

The problem, in essence, was simple. Here was the most profitable but contentious investment bank of the 1980s, which had filed for bankruptcy in February 1990 with assets worth \$3.7bn. Because some of these were in the form of high-yield, high-risk junk bonds,

bridge loans and other securities, their value subsequently fell. There were also ongoing expenses. Today, the immediate worth of Drexel's estate is closer to \$2.5bn.

Yet by the first anniversary of the bank's demise, claims against the estate had risen above \$30bn. Within this figure, the "undisputed" fixed claims - that is, loans to Drexel - were a relatively modest \$2.5bn. But claims based on allegations that Drexel had contravened securities law amounted to \$20bn; the Internal Revenue Service had demanded \$5.3bn; and other legal claimants believed that they were owed some \$5bn.

It was clear to one who was going to get everything he wanted, and the fact that a compromise settlement was reached partly reflects this. In the courtroom, Judge Milton Pollack did his best to chivy creditors and litigants into line, by saying he would liquidate the business if they did not agree quickly.

This could have opened the door to a decade of litigation and eaten up the estate in legal fees. Drexel's lawyers added pressure by threatening to have the securities claims "estimated" - that is, asking the courts to decide on an acceptable upper limit.

In settlement, then, everyone accepts partial payment. The



Michael Milken, former head of Drexel junk bond operations: not immune

Fixed creditors, for example, get 85 per cent of the first \$1.3bn, once secured claims and expenses have been met; the securities litigants get 15 per cent. For further payments, these proportions change.

But there is a second and more interesting element to the deal. For months, one of the biggest hurdles facing the Drexel bankruptcy has been the Federal Deposit Insurance Corporation (FDIC), which insures deposits with US savings institutions, together

with the Resolution Trust Company, overseer of the multi-billion dollar bail-out of the thrift industry.

For political reasons, these agencies have every incentive to claw back the last possible dollar from whatever source. Accordingly, with the help of a high-powered team of litigators, they alleged that Drexel "systematically plundered" the savings and loan institutions - some of which were among the bank's best customers - and slapped in a horrendous

\$11.3bn claim. Yet, in retrospect, the move may have been shrewd. For, to a large extent, the FDIC claims have now been traded for information and legal advantage. Under the settlement, Drexel agrees to "pool" its own claims with those of the FDIC - and one group of investor class actions - where there is a common defendant.

In return, it will get 14 per cent of any monies recovered from these suits, up to \$400m; the rest will go to its fellow litigants.

Better still, from the FDIC's standpoint, Drexel will give it ready access to internal files. The bank says that it will expedite the availability of "non-privileged" information immediately. And once its reorganisation plan gets the court's blessing, it will also turn over documents that would normally be subject to attorney-client privilege, unless objections are raised in court.

Perhaps what is most significant, this "pooling" agreement will cover action against ex-Drexel employees, such as Mr Michael Milken, who ran the bank's junk bond operations and is already the subject of a \$8m lawsuit from the FDIC and RTC. After all, certain employees, together with special employee partnerships, are alleged to have been major financial beneficiaries of the

bank's junk bond activities. The ultimate irony in this arrangement is that litigators for a federal agency could eventually go into court battling for Drexel, against the very man who made the bank so wealthy in the first place. So what happens next? Settlement of the securities litigation does not end the bankruptcy process. A formal plan of reorganisation, only tentatively sketched out in the settlement, must now be drawn up. It must then win a favourable vote among creditors. This procedure will take best part of a year at least.

And the debtor must still solve the problem of the IRS, which is proving more recalcitrant than the FDIC. Drexel lawyers say that the taxman's \$5.3bn claim has been pared back by some \$2bn, but such a figure would still wreak havoc on the settlement arrangement. If nothing gives, the merits of the claim will be heard by the courts next month.

On the plus side, that hearing will pass before the bankruptcy court judge who, having seen matters come this far, may be reluctant to watch the whole process blown off course.

And it would surely be somewhat ironic if one government agency were to hamstring the chances of another of extracting some money back from Drexel's demise.

US seeks assurances from Gorbachev in return for summit blessing

By Peter Riddell, US Editor, in Washington

THE US will only back an invitation for Soviet President Mikhail Gorbachev to attend the Group of Seven heads of government summit in London in mid-July if it is assured of a positive commitment to Soviet economic reform.

The possibility of Mr Gorbachev attending the summit was discussed by the leaders of Japan, Germany, Britain, France, Italy, the US and Canada at last year's meeting in Houston. Soviet officials have also recently been angling for an invitation.

Last year's thinking was that Mr Gorbachev might be invited as an observer, as a means of encouraging market reforms in the Soviet Union

and its closer involvement in the international economy. But US officials are concerned that the Soviet leader should not hijack the summit and detract from its basic purpose of discussing mutual economic and trade issues.

Noting the Soviet interest, President George Bush said yesterday that the possibility of an invitation would be further discussed with other G7 leaders. But he stressed that if Mr Gorbachev attended, it was important that "something positive will happen".

This reflects the view of senior US policymakers that, while there has been some recent progress in defusing the Soviet constitutional crisis,

this has not been matched on the economic side. Consequently, US officials want to pin Soviet leaders down to a reform programme.

Officials planning for the London meeting are considering a possible joint declaration by the G7 leaders.

This might start with an assertion that the present Soviet economic plan will not work, and then state that any reforms must depend on the introduction of basic property and contract rights, as well as a macroeconomic stabilisation plan and greater competition, reinforced by a safety net for those adversely affected.

Any western assistance would be tied to specific agreement by Mr Gorbachev.

This step-by-step approach is being reflected in the current administration debate over how to respond to a Soviet request for \$1.5bn in export credits for farm products. Officials are reluctant to give an unconditional commitment, so any approval may be linked to the work of a high-level mission of farm experts flying to the Soviet Union later this week to advise on improvements to the food distribution system.

Mr Bush was also non-committal yesterday about the timing of his already postponed summit with Mr Gorbachev. He said there was no set time and no agreement. "I've made

it clear that I would like to go to Moscow under certain conditions and I'd like to think I will."

In the last week or Mr Bush has praised Mr Gorbachev more openly in spite of criticism from American conservatives that he is propping up the Soviet leader.

The US is reluctant to get pinned down on a summit date, but is insisting on a successful resolution of differences over the implementation of the treaty to reduce conventional forces in Europe and a yet to be finalised agreement reducing both countries' strategic nuclear arsenals.

The most likely date for any Moscow meeting is late June or early July, though Mr Bush could see Mr Gorbachev in London in mid-July.

John Lloyd adds from Moscow: President Gorbachev "remains loyal" to the idea of a US-Soviet summit in the summer, and to the signing of a strategic weapons agreement, according to Mr Vitaly Ignatenko, his principal spokesman.

Mr Ignatenko said that the visit to the US of General Mikhail Moiseev, the Chief of the Soviet General Staff, to begin on May 20, would assist the process of agreement between the two countries on the remaining problems on the conventional forces in Europe (CFE) agreement.

Allies urged to honour Gulf war pledges

By Peter Riddell

THE US has so far received about \$36bn out of \$54.6bn promised by its Arab and European allies and Japan for the military costs of the Gulf operations since last August.

Mr Eugene McAllister, assistant secretary of state for economic and business affairs, yesterday told the House foreign affairs committee that the US was "very vigorously conveying to our partners our desire to achieve rapid disbursement of the remaining commitments".

The US is holding continuing discussions with Japan about how it could contribute towards the US's continuing military costs associated with the crisis. This refers to the current operations in support of the Kurdish refugees.

Mr McAllister said the US was focusing on Saudi Arabia (which has disbursed nearly half of its \$13.5bn commitment for 1991), Kuwait (which has disbursed half of a similar amount) and Japan. Germany has disbursed all its promised \$5.5bn and the United Arab Emirates has paid over nearly all of its pledged \$4bn. The Saudi government has said it will complete its commitment by the end of next month.

There has been strong Congressional pressure for the allies to pay up what they have promised in contributions to war costs.

Mr David Mulford, Treasury under secretary for international affairs, told the committee that, while the estimated cost of the military operation had not been finalised yet, it was likely to be \$60bn plus. He confirmed that about \$36bn had been received out of a pledged \$54.6bn.

Separately, the US has organised the Gulf Crisis Financial Co-ordination Group of 26 countries, the European Commission and the Gulf Co-operation Council to pull together bilateral economic support for countries worst hit by the crisis.

Mr Mulford told the committee that the group has so far secured commitments of \$16.1bn for the period from last August until the end of this year. Of this some \$11.7bn has been pledged to Egypt, Turkey and Jordan, of which \$6bn has so far been paid over out of total disbursements of \$8.9bn.

The balance of the commitments and disbursements has gone to Bangladesh, Djibouti, Lebanon, Morocco, Pakistan, Somalia and Syria.

LEGAL NOTICE

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Those in possession of assets of the debtor as secured creditors or in any other capacity must announce them to the Receivers within the same period.

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ASSEMBLY OF THE CREDITORS	Thursday 22nd August 1991 at 10.00 a.m., Salle des Assemblies de Faillites 7, place de la Tacconerie in Geneva.
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Geneva, 8th May 1991	THE RECEIVER: Roger-M. Siffert

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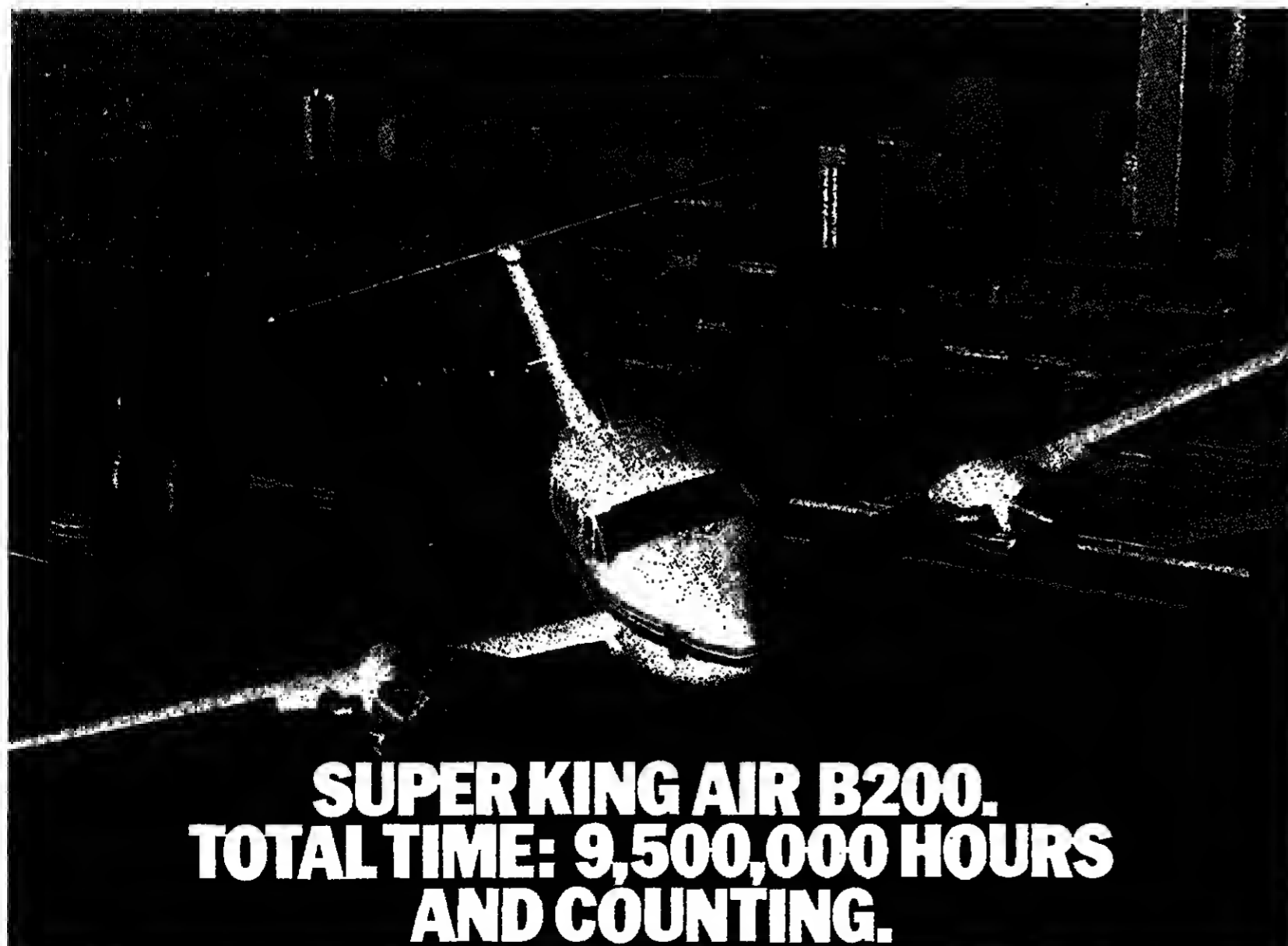
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WORLD TRADE NEWS

Third World wants 17 month MFA extension

By William DuBois in Geneva

THIRD WORLD exporters have proposed that the Multi-Fibre Arrangement (MFA), which governs about half the \$100bn-a-year world trade in textiles and clothing, be extended for 17 months after it expires on July 31 this year.

The proposal came from the International Textiles and Clothing Bureau (ITCB), grouping 23 developing countries, as Gatt's textiles committee is due to convene tomorrow to discuss how to ensure continuity in trading conditions for textile products after July.

Uncertainty has prevailed since the Uruguay Round broke down in December. Dismissing the MFA, which submits a large part of textiles products to bilateral trade pacts between exporting and importing countries, was one of the Round's aims.

So far, attempts to agree how to handle the existing MFA after its expiry have failed. Seventeen ITCB members

have proposed the MFA be extended until the end of 1992 or until the date when results from the Round are implemented, whichever is earlier. Importers, especially the US, will find it hard to accept the conditions that they be allowed to introduce no new curbs during the extension; prolongation or renegotiation of existing bilateral pacts may improve exporters' market access but should introduce no new curbs; and importers shall not apply aggregate limits and regional quotas during the extension.

Officials said the first condition amounted to a freeze of the MFA, since it would make it impossible for importers to apply MFA "safeguard" provisions, allowing them to impose urgent import curbs.

The third condition is aimed at the US, which applies aggregate limits, and the EC, which can impose regional quotas.

Gatt urged to rule on slaughter of dolphins

ENVIRONMENTALISTS yesterday urged Gatt to pass a ruling to halt commercial tuna fishermen from slaughtering dolphins, Renter reports from Geneva.

Their plea was made on the first day of an investigation by Gatt into a US ban on Mexican tuna imports. The US imposed the ban last October under legislation forbidding imports of tuna caught in nets which also kill dolphins.

A Gatt panel has started studying the Mexican complaint, which claims the US measure contravenes several Gatt provisions and has seriously affected the fishing industry, trade officials said.

Representatives of the World Wide Fund for Nature (WWF) and the Swiss environmental Bellver Foundation said the Gatt ruling on the dispute

would have enormous implications for environmental protection issues.

"The overriding question... is if the conservation of an endangered species or an ecosystem can counterbalance the demands for economic profit," they said. Pursue seine nets, which encircle tuna with floats on top and weights on the bottom, had killed hundreds of thousands of dolphins in the eastern Pacific, the statement added.

Mexico said the US Marine Mammal Protection Act was contrary to Gatt articles prohibiting quota restrictions and ensuring equal treatment for foreign suppliers. It also said US requirements to label canned tuna products as "dolphin safe" breached a Gatt provision on markings defining the origin of a product.

India may admit foreign insurers

INDIA is considering letting foreign insurance companies operate in the country, after two decades of insurance nationalisation, writes Kumal Bose in Calcutta.

According to Mr S V Mony, chairman of the government-owned General Insurance Corporation, foreign companies will be allowed initially to offer limited services.

India has been under pressure, particularly from the US, to let in foreign companies to market insurance services. The US has raised the threat of trade retaliation.

The decision to permit foreign companies to operate in India is one for the new government to be formed after the general elections later this month. It is hoped in India that the entry of foreign companies will improve the efficiency of the local industry.

Canadians share Texas train bid

A consortium led by Morrison-Knudsen, the US construction group, and Bombardier of Canada has been designated sole bidder for the proposed \$4.5bn Texas high-speed train project, Robert Gibbons reports from Montreal.

Bombardier would build \$800m-worth of TGV rolling stock under licence from GEC-Alsthom. Construction would be carried out by the US partners. The line would connect Houston and Dallas-Fort Worth by nearly 500 miles of track, and would be due in service by 1998. Award of the contract is set for May 28.

Colour TV venture

A joint venture between Hitachi and China's Fujian Province aims to export colour TV sets to the Soviet Union, the first case of an electronics product made by a Japanese-Chinese company being exported there, Hitachi said, AP-DW reports from Tokyo.

Fujian Hitachi Television was founded in 1981 and has been producing 14 and 21 inch screen colour televisions in Fujian province at the rate of about 60,000 units a year.

Strong views, weak will mark Arab boycott

Victor Mallet weighs conflicting claims over the Arab ban on links with Israel

THE ARAB boycott of companies linked to Israel is an elusive and confusing beast, particularly when seen through the eyes of those who are trying to kill it.

"We have a definite belief that the Arab boycott is weakening," says Mr Will Maslow, general counsel of the American Jewish Congress and editor of Boycott Report, which monitors the impact of the boycott on US corporations.

"No it's not crumbling at all," says Mr Martin Lever, executive director of the British-Israel Chamber of Commerce. "I think it's as strong, if not stronger than ever."

These contradictory views are partly a reflection of the different circumstances on either side of the Atlantic.

In the US, companies are forbidden by law from complying with the Arab boycott authorities; in Britain, they can do what they like, which as often as not means choosing a large Arab market instead of a small Israeli one.

It is against this background that Israel is attempting to persuade the European Community to enforce anti-boycott regulations throughout the EC. Mr David Levy, the Israeli foreign minister, called for moves to end the boycott at an EC-Israel meeting in Brussels yesterday.

Israel's supporters are optimistic on several counts that the boycott is actually weakening. First, Coca-Cola was quietly removed from the Damascus-based blacklist this month after openly defying the boycott and gaining a foothold in the Gulf states, the only part of the Arab world where the "secondary" boycott of foreign companies linked to Israel is strictly applied.

Second, Japanese companies, which were always the most stringent followers of the boycott, for the most part, depending on your point of view, have started to do increasingly more direct business with Israel, often because of pressure from their American subsidiaries.

"In recent weeks we've had three Japanese companies - Toyota, Nissan and Mazda - announce that they are going to sell their cars to Israel before the end of the year," says Mr Maslow.

What is more important for Israel, he says, Japanese companies have started to invest in Israel by buying small Israeli concerns.

And third, the Kuwaitis were so incensed with the stand of the Palestine Liberation Organisation during the Iraqi invasion of their country that they have announced plans to ease their previously rigid application of the secondary boycott.

This is seen as crucial to the



Levy: urged introduction of anti-boycott measures

customs department, said Kuwait was grateful for American help in the war and would ease the boycott of foreign companies tied to Israel.

"If Kuwait does this it's likely that the other Gulf states will follow," says Mr Maslow.

At this point, however, the optimists and the pessimists part company. The political inertia of the Arab world is such that the pace of any generalised move away from the boycott is likely to be glacial.

Kuwait might well turn out to be a special case, and so might Coca-Cola.

Coca-Cola established itself in Saudi Arabia partly by choosing the influential and immensely wealthy Mr Suleiman Olayan as its agent, and the Boycott Office in Damascus added 110 companies to its blacklist (including 104 in which Mr Robert Maxwell was said to have interests) the same day that it removed Coca-Cola and nine others.

One of the strengths of the boycott is the vagueness of its provisions and the haphazard way in which it is implemented.

This encourages British, Japanese and other companies to err on the side of caution and ignore the Israeli market rather than risk Arab retaliation.

Typically, the Arab-British Chamber of Commerce, which helps to enforce the boycott, declined to make any comment on the matter this week.

Israel's supporters acknowledge that it will not be easy to persuade the EC as a whole to implement anti-boycott regulations, even if they are presented in the form of a general "harmonisation directive" prohibiting discrimination and distortion of trade.

The British-Israel Chamber has drafted such a directive, but Mr Lever says: "The bureaucratic set-up in the commission makes that a very, very long haul."

Only wishful thinkers believe that trade and politics can be kept separate. Israel wants the Arabs to lift the boycott as a "confidence-building measure", but the Arabs think that Israel is already confident enough.

When Mr James Baker, the US secretary of state, urged the Arabs to end the boycott in May 1989, his speech was better remembered for what he demanded of the Israelis. He told them to forswear annexation of the occupied territories and lay aside the "unrealistic vision of a greater Israel".

The Israeli government still clings to that vision, just as many Arabs cling to the boycott as one of their few effective weapons against Israel.

EC aim to 'abolish' boycott

By Andrew Hill in Brussels

THE European Community has made a pledge that it will work towards abolishing the Arab boycott of companies trading with Israel, EC foreign ministers told their Israeli counterparts, Mr David Levy, in Brussels yesterday.

But Mr Levy was unable to answer EC ministers' demands that the Community should play an active part in any Middle East peace conference.

He said that he would continue to keep dialogue open between Israel and the EC on the matter, but added that he was unable to commit his government to a decision.

EC ministers said the call for the abolition of the Arab boycott - part of an attempt to boost the current peace process - should be matched by confidence-building measures from Israel.

Mr Jacques Poos, the foreign minister of Luxembourg, which currently holds the EC presidency, said that such measures could include, for example, ending the policy of new Israeli settlements in the occupied territories and opening Israeli universities to Palestinian students.

Yesterday's talks were part of the regular meetings of the EC-Israel Co-operation Council.

The foreign ministers also agreed that they should work together on problems raised by the internal market and on issues of regional co-operation.

It also emerged yesterday that separately President Hosni Mubarak of Egypt and the Syrian foreign minister are scheduled to visit Luxembourg within the next week for a round of talks with EC representatives on the peace process.

OECD Export Credits Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates for officially-supported export credits (April rates in brackets):

US DOLLAR 9.65 per cent (9.66);

FRANC 9.65 (9.66);

GUILLER 9.75 (9.80);

ITALIAN LIRA 12.34 (13.50);

YEN 7.50 (same);

PESETA 13.53 (14.15);

STERLING 11.28 (11.27);

SWISS FRANC for credits of less than eight years 8.50 (same); for

credits of more than eight years 8.55 (same);

US DOLLAR for credits of up to five years 8.60 (8.67); for credits of over five years 9.00 (9.07).

These rates are published monthly by the Financial Times, normally around the middle of each month. They apply to all export credits, except that on those to middle-income and poor developing countries the OECD matrix rate can be used if lower. This is a standard set of rates reviewed twice a year, in January and July.

US, Japan to resume chip talks

By Louise Kehoe in San Francisco

US AND Japanese trade officials resume talks aimed at a new semiconductor trade agreement in Tokyo this week, as pressure grows for an accord to replace the five-year 1986 pact ending in July.

During marathon sessions in Washington last week and over the weekend, "progress was made" according to both US and Japanese observers, but some key issues remain.

The US is demanding Japan concede at least 20 per cent of its \$21bn (\$12.5bn) semiconductor market to foreign chip suppliers. At present, according to US calculations, Japanese companies import only about 13 per cent of the semiconductor devices they consume.

Japanese negotiators are believed to have accepted US demands that the 20 per cent market figure be incorporated in a new trade agreement, but

differences remain on how market share should be measured.

In 1986, both countries agreed to use data collected by a US-based industry group affiliated with the US Semiconductor Industry Association. Japan now wants to alter the basis for market-share calculations to reflect sales to Japanese subsidiaries by US "capable" chip makers, such as International Business Machines which makes semiconductor chips for use in its own products.

Also still to be resolved are some aspects of how the agreement should proscribe "dumping" of Japanese semiconductor products in the US and third-country markets. Progress has been made on how to monitor chip sales to ensure "dumping" is not occurring.

US sanctions, imposed

against Japan in 1987 in retaliation for its alleged failure to live up to the terms of the 1986 semiconductor trade pact, remain a point of contention.

The sanctions are largely symbolic in value, but have become a political embarrassment in Japan. Japanese negotiators have tried to make removal of the sanctions a condition of their agreeing to a new semiconductor trade pact. So far, the US has refused.

With both sides now agreeing their talks to date have been constructive, US semiconductor officials expect to see a swift resolution, perhaps over the weekend.

Early resolution of the chip issue would let the US Trade Representative's chief negotiator focus on Structural Impediment talks, due to resume in Tokyo next week.

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REPUBLIC OF TÜRKİYE, PRIME MINISTRY PUBLIC PARTICIPATION ADMINISTRATION (PPA) ANNOUNCEMENT

Republic of Türkiye, Prime Ministry Public Participation Administration (PPA) offers to sell its shares separately in two of its companies:

96.15% share in MEYSU MEYVE SUTU ve GIDA SANAYİ A.Ş. (MEYSU),
92.67% share in NİMSA - NİĞDE MEYVE SUTU ve GIDA SANAYİ A.Ş. (NİMSA).

(both fruit juice producers) as a whole or in part under the Privatization Program.

1. EUROTRUK BANK is assigned as the financial advisor of PPA in the privatization of MEYSU and NİMSA. Information about these companies can be obtained either from PPA or from the assigned Bank after May 13, 1991, for which the addresses are shown below.

2. The sale of PPA shares in MEYSU and NİMSA will be effected by inviting tenders and holding site negotiations.

3. The tender and an irrevocable - unconditional bid bond addressed to PPA, payable on first simple demand with a term of at least 6 months should be submitted to PPA no later than June 10, 1991 by 6:00 PM official local Turkish time. The amount of irrevocable - unconditional bid bond for each company is listed below:

300,000,000 TL for MEYSU 300,000,000 TL for NİMSA

4. In the tender, the percentage of shares to be purchased and the offered price for these shares will be specified.

5. The tenders should be submitted in closed envelopes with the following inscriptions for the related company:

"Tender for MEYSU MEYVE SUTU ve GIDA SANAYİ A.Ş. - CONFIDENTIAL".
"Tender for NİMSA - NİĞDE MEYVE SUTU ve GIDA SANAYİ A.Ş. - CONFIDENTIAL".

6. The successful bidder shall furnish a performance bond for the amount of 5 % of the agreed sale price and a letter of intent comprising the price and the terms of the sale. If the letter of intent is not submitted or if the bidder fails to sign the sale contract after the submission of the letter of intent and / or fails to provide the performance bond until the closing date to be determined by PPA, the bid bond will be called by PPA.

7. PPA is not subject to the State Tender Law No: 2886 and reserves the right of not selling any or part of its shares or to sell based purely on its own choice without any obligations at any time.

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UK NEWS

US carrier seeks to impose deal on Heathrow staff

Rolls-Royce defends startling pay freeze decision

By Lisa Wood, Labour Staff

AMERICAN AIRLINES, the large US carrier, is seeking to impose new terms and conditions, including a longer working week, on the UK employees at Heathrow Airport of Trans World Airlines whose three main London routes it has acquired.

American Airlines, which takes over three TWA routes from the US to Heathrow on July 1 is insisting that 294 TWA staff who operate at Heathrow must sign new individual contracts to transfer employment. TWA is keeping on other UK staff.

The move, which includes an end to union recognition for the 294 workers, is being resisted by unions representing the maintenance, bag handling and passenger check-in staff.

Mr Gavin Laird, general secretary of the AEU engineering union, said that taken with the changes at Rolls Royce the new American Airlines contracts represented a "singularly unfortunate trend".

Rolls-Royce plans to terminate the contracts of 34,000 workers in order to introduce a six-month pay freeze.

Mr Roger Buckley, a

national officer of the AEU, accused American Airlines of making a "blatant attack on working conditions" of the TWA employees.

The contracts, he said, gave workers shorter holidays, and extended the working week from 36½ hours to 37½ hours. Some workers faced up to a one third reduction in their take home pay.

Mr Buckley said people who had signed the new contracts were being told by their trade unions to send letters to American Airlines accepting the jobs but repudiating the new conditions.

American Airlines said yesterday that about 97 per cent of the former TWA employees had signed the new contracts.

A spokeswoman said people were not being forced to sign them. She said American Airlines, which has operated in the UK since 1982 wanted a happy workforce and had strong employee participation and team work.

She said the terms and conditions were very broadly similar to those of TWA although people were being asked to work slightly longer.

Michael Smith examines the background to Rolls-Royce's attempt to issue its staff with new contracts

THIS WEEK'S startling decision by Rolls-Royce to terminate the contracts of all 34,000 employees in its aerospace division was aimed, in part, at preventing the company from being sued for breach of contract.

The company, whose chief executive is Sir Ralph Robins, said the move was necessary to impose a pay freeze, but it now faces the danger of a series of industrial tribunal cases which, if successful, could produce a hefty compensation bill for unfair dismissal. It is even conceivable, though unlikely, that compensation would be more than the company will save by halting pay increments.

It was the desire to stop the payment of increments - made on the basis of age, length of service and technical competence - which prompted the company to terminate the contracts and replace them with similar ones.

Simply freezing cost-of-living rises would not require a change of contracts to be legally watertight.

Few employers in the private sector use increments to the same extent as Rolls-Royce. For this reason, Rolls-Royce's initiative - described by some as a mass sacking - seems unlikely to be emulated by many other companies implementing pay freezes. Any company con-



Sir Ralph Robins: Rolls-Royce says the imposition of new contracts was necessary to enforce a pay freeze

templating a pay out would be more likely to follow Rolls's lead, but relatively few employers are attempting to reduce wages.

There have been several cases in recent years of companies dismissing entire groups of workers. In two famous cases, at News International and P&O, the sackings arose out of industrial disputes and neither employer took back all those dismissed.

Other employers have tended to employ less drastic means to bring in new contracts. British Rail told 6,500

signals and telecommunications engineers this year that those who did not accept fresh contracts involving new working rosters could stay on old ones, but would not be eligible for promotion.

Rolls-Royce describes its initiative as a legal technicality and says it does not intend to lose any employees as a result.

The case that will have most influenced Rolls-Royce's legal advisers ended with a 1987 House of Lords ruling making clear that an employer cannot vary an employee's contract of employment unilaterally. This

followed a decision by Ferodo to cut employees' pay without what was considered the necessary consultation; the company had to pay back the lost earnings.

Rolls-Royce hopes to avoid a similar fate by giving notice to employees that it intends to terminate their contracts and offering them similar contracts, without guaranteed increments.

Some lawyers believe employees who accept the new contracts might retain the right to take the company to an industrial tribunal for

unfair dismissal, arguing that neither they nor their unions had been consulted.

If successful, they could win the equivalent of redundancy payments of up to £3,600 for long-serving members of staff. One pay analyst estimated yesterday that compensation claims could amount to tens of millions of pounds.

It is thought that about 40 per cent of the Rolls-Royce aerospace division's employees would have been entitled to increments and that the company has saved slightly less than £10m by freezing them.

That compares with about £24m which will be saved by the freeze on general pay rises (assuming an increase of about 5 per cent at the end of the current pay agreement).

The company could argue that the change in contract was merely a variance and that there were no dismissals. In its letter to employees, Rolls-Royce stresses that new conditions will be exactly the same as the old "except that your pay will be fixed at its present level and any terms in your present contract giving entitlements to an increase in pay will be excluded".

If the case were taken to industrial tribunals the company could also be expected to argue that the termination of contracts was necessary because of the business needs brought on by recession.

Labour lawyers believe that the unions would have a long and expensive fight to stand any chance of success, particularly if the new contracts vary only slightly from the old ones.

Mr Jeremy McMullen, a barrister specialising in labour law, said yesterday that the company was taking a sledgehammer to crack a nut. He said one of the motives could have been to create a softer negotiating climate for redundancies - Rolls-Royce plans to shed 6,000 jobs in the division this year.

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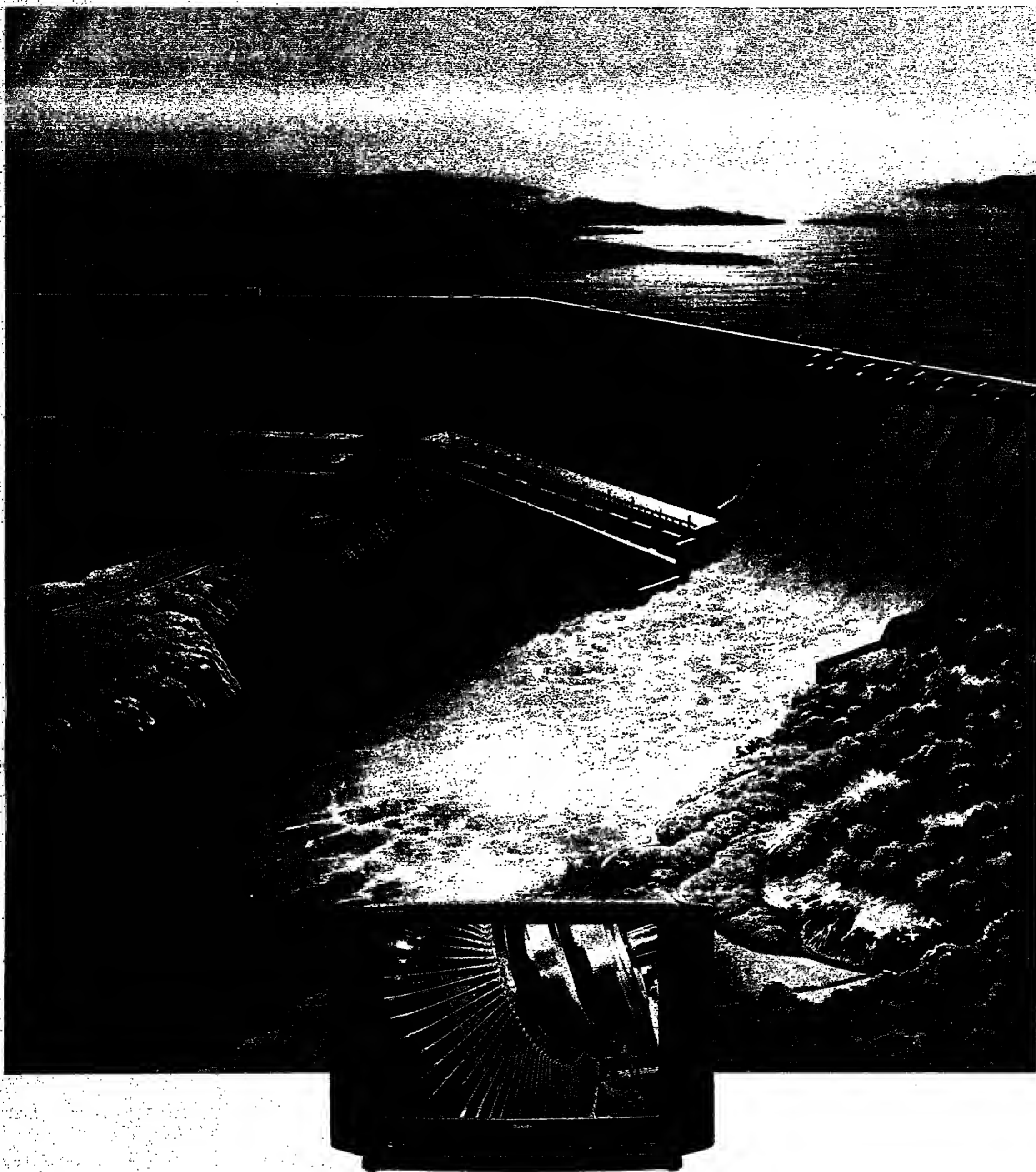
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UK NEWS

PM leaves options on Emu open

By Ralph Atkins

MR JOHN Major left open yesterday the option of Britain accepting the European Commission's proposals for a compromise treaty on economic and monetary union.

The prime minister neither rebuffed or welcomed the suggestion by Mr Jacques Delors, the commission's president for a treaty which the UK could sign while deferring a decision on whether to accept its eventual goals.

Mr Major, however, reiterated that Britain could not agree to a deal which would lead to accepting a single currency without a "separate decision" by a future parliament.

His comments in the Commons underlined the government's belief that Mr Delors's concession is a step forward but that a large amount of work is required before a decision is made on whether proposed treaty changes were acceptable.

Mr Major told MPs: "We have made it quite plain to our European partners that we cannot accept any changes to the Treaty of Rome which would bind us to a single currency or a single monetary policy without a separate decision by the UK government and parliament."

The government still has many reservations about plans for EMU and political union, particularly on the shape of the new European central bank. Mr Major knows, too, that he has a difficult political operation to perform in averting a damaging split in the Conservative party over the issue.

Downing Street believes the Commission has recognised that the British will not have a single currency "imposed on them".

Labour opposition well placed to win key contest as general election fever continues

Government braced for poll defeat

By Philip Stephens, Political Editor

THE government faced a renewed onslaught over its national health service reforms yesterday as it braced itself for the possibility of a heavy defeat by the opposition Labour party in tomorrow's Monmouth by-election.

As the NHS dominated a day of angry exchanges in the House of Commons, Mr Neil Kinnock, the Labour leader, sought to taunt the prime minister for backing away from a June general election.

His attack came as a warning by Mr Robin Leigh-Pemberton, governor of the Bank of England, over the inflationary risk of rapid reductions in interest rates, heightened the concern of many Tory MPs about the impact of the economic recession.

Mr Chris Patten, the Conservative Party chairman, said the government's political fortunes would continue to



Major: attacked Labour

improve over the next few months as the economy recovered.

But many Tory MPs are now echoing industrial leaders in calling for a sharp reduction in interest rates.

Calling on Mr John Major to prevent any more National Health Service hospitals opting for trust status without a ballot of the local population, Mr Kinnock said: "What are you afraid of? Why are you always running away from the ballot box?"

An ICM opinion poll published in today's Daily Mail shows Labour with a commanding 10-point lead in Monmouth, in the Welsh border county. The poll suggests that controversy over the health service has been a central factor in eroding support for the Conservative candidate.

Mr Robin Cook, Labour's health spokesman, anticipated victory by declaring the by-election a "referendum" on the NHS reforms. He accused the government of creating a "two-tier" health service.

The exchanges came against the background of continuing

election fever which is undimmed by the now accepted wisdom that the general election will be delayed until the autumn at the earliest.

In one of his more confident performances of recent weeks, Mr Major responded to the Labour attacks with his own charge that Labour's spending policies would push up the taxes of every family in Britain.

The prime minister accused Mr Kinnock of advocating spending plans which would "not only penalise people on modest and average incomes, but every single taxpayer".

Mr William Waldegrave, the health secretary, accused Labour of being bereft of ideas on how to improve the NHS, adding that Mr Cook had demonstrated that it was more interested in "scaring than caring".

BRITAIN IN BRIEF



Ultimatum issued on Ulster talks

Mr Peter Brooke, Northern Ireland secretary, has set out his own proposals for resolving the deadlock over "round-table" talks on the province's future - and said he could see no point in continuing if they were not accepted.

His ultimatum to unionist and nationalist leaders in Belfast came after a fifth day of negotiations aimed at finding an agreement on the venue for talks including the Dublin government.

Mr Brooke has proposed that talks on relations between north and south Ireland should start in London - perhaps with only a formal meeting. They would then continue in Northern Ireland before concluding in Dublin.

The success of his gamble depends critically on the reaction of unionist leaders.

Lords refer case to Europe

The campaign to stop illegal Sunday trading in England and Wales suffered a serious setback when the House of Lords referred back to the European Court the question of whether the UK's Sunday trading laws are incompatible with European law.

The decision by five law lords, which came on the second day of the appeal by B&Q, the home improvement chain, against a High Court ruling last July that the 1950 Shops Act, which governs Sunday trading, does not contravene the free trade principles of EC law, could delay a final ruling on the issue for up to two years.

Opponents of Sunday trading were dismayed by yesterday's ruling. This follows a decision by the Appeal Court two weeks ago lifting injunctions granted to local authorities against B&Q and Wickes Building Supplies which local authority lawyers claim has made the Sunday trading laws "virtually unenforceable".

GEC-Marconi wins naval deal

GEC-Marconi has won what it considers a crucial battle in the naval sonar business by beating the Franco-British Ferranti-Thomson venture in a competition to study a new system for the Royal Navy. The planned new sonar is to upgrade the capabilities of Britain's submarine fleet. Marconi Underwater Systems said the deal involved a "multi-million pound" contract to draw up a project definition.

Arbitration call on tax dispute

The prime minister has been asked to arbitrate in the increasingly bitter row between Treasury ministers and senior Tory MPs over the alleged "double-taxation" of home loans and savings institutions known in Britain as building societies. At stake is more than £240m in tax payments and as much as £150m in interest that the societies say should be returned following a House of Lords judgment in favour of the Woolwich Building Society last year.

Influential Tory backbenchers are now pressing Mr John Major to intervene to persuade ministers to drop the controversial Clause 50 in the Finance Bill that seeks to over-rule the Lords' verdict retrospectively.

Aid agency suffers loss

The Crown Agents, the government purchasing agency responsible for aid-financed programmes in the developing world, suffered a sharp £4m fall in gross income to £28.3m last year, according to its annual report.

Mr Peter Berry, managing director, blamed the fall on changing patterns of aid expenditure by the UK, with a larger share of funds going directly to bolster the foreign exchange position of developing countries without specific procurement guidelines. A further factor was uncertainty created by the Gulf crisis which led to an immediate revenue loss of £500,000. The longer term implications for the developing world have not yet been quantified.



St Paul's to charge entrance fee

Tourists visiting St Paul's cathedral in London (above) are to be charged an admission fee for the first time. The move is intended to head off the cathedral's deficit which will this year exceed £400,000. The Very Reverend Eric Evans, the dean, said the charges were necessary to protect the "unforgettable experience" of a visit to Sir Christopher Wren's domed masterpiece. Worshipers entering the cathedral chapel will not be charged.

Bank raids increase sharply

Raids on banks and home loans and savings institutions have almost doubled over the past four years to a total of 1,060 attacks in 1990, according to the Banking Insurance and Finance Union, which is concerned about the security of its members.

Between four and seven office raids take place every working day, the union estimates, with a concentration of attacks in London, Manchester, Birmingham, Avon, and Tyne and Wear. Nearly all the raids are said by the union to involve real or fake firearms. Bifu has called for an immediate review of the law on shotguns and replica weapons which, it said, were "astonishingly easy to obtain".



Labour man to address CBI

The Confederation of British Industry's governing council, which meets next Wednesday, will be addressed by a leading spokesman for the opposition Labour party for the first time in recent history.

Mr Gordon Brown, Labour's trade and industry spokesman, will next week address the 400-strong council on how Labour's manifesto would affect business.

Mr Brown's appearance is part of a CBI programme in the run up to the general election in which each of the three parties will outline how their policies would affect industry and the economy.

Fall in price of electricity

Competition has cut the price of electricity to large customers by up to 15 per cent, according to the annual report of the electricity industry watchdog, Ofgas.

The new electricity industry was working well and already had a private sector mentality, reported Professor Stephen Littlechild, Ofgas's director general.

Staff offered 35-hour week

British Nuclear Fuels has become the first large company in Britain to offer its manual workers employees a 35-hour week.

If employees accept their negotiators' recommendations to accept the offer, the deal would be one of the most significant in a national campaign by unions for a shorter working week.

Most UK manual workers work 39 hours a week. Although several hundred thousand in the engineering sector have won agreements for 37 hours, a campaign by their unions for a further two-hour cut is unlikely to begin before signs of an end to the recession.

Granada faces franchise bid

Granada Television, one of the most famous names in British broadcasting, is to face a serious challenge for its franchise when the deadline for bids closes today.

On the eve of the bidding it became clear that Granada is going to face opposition from a consortium that includes two fellow northern ITV companies Yorkshire Television and Tyne Tees.

The consortium has been put together by Mr Phil Redmond, creator of the television series Grange Hill, whose Mersey Television production company produces the drama Brookside for Channel 4. The bid is also being backed by Barclays Trust International, Trinity International Holdings, the newspaper publishing and printing group and 3i, the investment capital group.

Study says spill effect limited

A spillage of 150 tons of crude oil into the River Mersey from a fractured Shell pipeline in August 1989 did no lasting environmental damage, according to an independent group studying the aftermath.

The spillage cost Shell a total of £7.1m, it was revealed yesterday, including a £1m fine by Liverpool Crown Court last year. The company has also paid £200,000 to fund the study group.

The company has paid £1.4m on the clean-up, operation £2.5m on replacing half the pipeline which fractured, and £2m on sophisticated monitoring equipment to spot future problems in advance.

Bond 'doomed to failure'

The four main shareholders in British Satellite Broadcasting (BSB) argued in the High Court that a damages claim against them by Bond Corporation Holdings, the flagship of Mr Alan Bond, the Australian entrepreneur, was "manifestly doomed to failure".

Mr David Oliver QC, for Granada Group, Pearson, Reed International and Chargeurs asked Mr Justice Harman to strike the claim out on the grounds that it disclosed no cause of action.

The claim relates to attempts by Bond last year to sell its stake in BSB with the benefit to any purchaser of a rights issue that formed part of an agreement for the refinancing of BSB in February last year. The case continues.

Power unions reject pay deal

The threat of industrial action in the power industry was renewed when members of the two largest unions rejected an 8.9 per cent pay offer described by employers as final.

Members of the ESEU electricians' union voted by 13,206 to 10,460 against the offer while members of the AEU engineering union were reported to have voted by 2-1 in ballots which were being counted yesterday.

Mr Doug Rooney, the AEU's national negotiating officer for the power industry said his membership had "convincingly" turned down the proposed deal. He said: "We are on course to vote for industrial action in order to secure a double figure increase."

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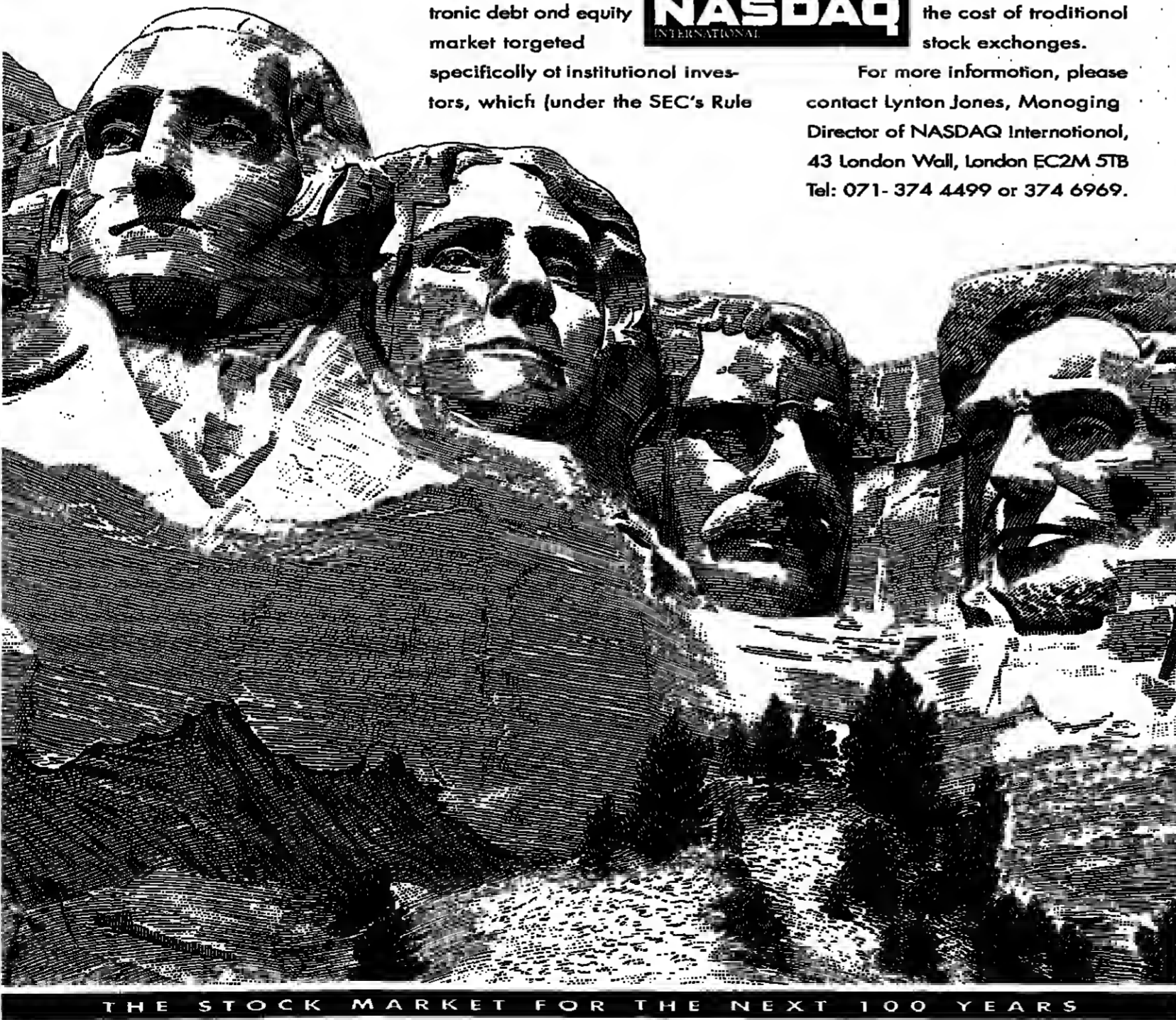
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MANAGEMENT

When the colonial glory wears off

David Lascelles on the problems facing Standard Chartered

Anyone curious about Standard Chartered's origins need only visit the lobby of its City of London headquarters. The walls are covered in old photographs of the bank's branches in colonial times: Victorian piles in places like Shanghai, Kuala Lumpur and Delhi, a shack in the Kenyan highlands, even a tent in the African outback.

But the pictures will shortly be gone. "They no longer fit the image," says an executive. Few UK banks have had to undergo as wrenching a transformation as Standard Chartered: but management is struggling to shake off old-fashioned attitudes. The questions are: Has Standard Chartered left it too late? and can it still make a virtue of its unique geographical presence?

The recent omens have not been encouraging. Profits in the past two years have been poor, hit by a string of bad debts and problem Third World loans. Last year, the bank had to cut its dividend. But executives insist that appearances belie profound changes which will shortly yield results.

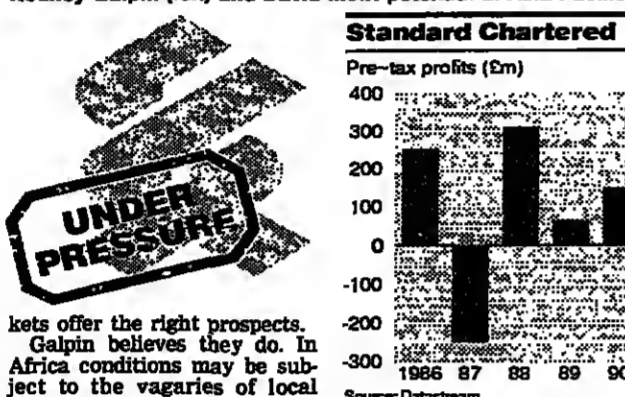
The recovery strategy is being directed by Rodney Galpin, a former Bank of England official who took over the chairmanship two and a half years ago.

The bank had been rocked by a succession of crises following Lloyds' unsuccessful bid in 1986. When he arrived, Galpin had the option of applying radical surgery to the group and reshaping its network for post-colonial times. But instead, he decided to preserve the basic structure because many were strong franchises in promising markets. He also wanted to get the bank back to basics, and instill a tougher and more businesslike attitude.

Standard Chartered differs from other international banks in that its foreign operations are part of the local scene. In dozens of countries in Africa, Asia and the Far East, Standard Chartered provides retail banking services. The issue is not so much whether these operations amount to a balanced global network but whether the individual mar-



Rodney Galpin (left) and David Moir: potential in Asia Pacific



kets offer the right prospects.

Galpin believes they do. In Africa conditions may be subject to the vagaries of local economies and politicians. But Standard's African business produces a steady stream of profits. There is a similar story in the Middle East and South Asia, though the Gulf war caused major disruptions.

The strongest part of the group is the Asia Pacific Region which contributed over 80 per cent of last year's trading profit of £185m. This includes the flagship operation in Hong Kong where Standard Chartered started in 1859 and where it is now one of the two note-issuing banks with 115 branches. But there are also sizeable operations in fast-growing countries like Singapore and Malaysia, and even China where Standard has 10 offices and branches - the largest of any foreign bank.

David Moir, who holds the new post of chief executive of the Asia Pacific Region, says: "There is enormous potential for Standard Chartered to increase its business base in

ment information systems have revealed where the bank is and is not making money.

But running what amounts to a string of separate branch banking operations in different countries requires intensive management. In Malaysia Standard shares what amounts to a local monopoly because no new foreign banks are being admitted and its 35-branch operation is among its most profitable. Alternatively, the authorities will not permit it to open more branches, and the regulatory climate favours domestic banks.

There is also a dichotomy about Hong Kong. It is Standard's largest profit-earner in the Far East and there are few regulatory constraints. But the transfer to China in 1997 poses a serious question mark over long-term prospects.

In the longer term Standard Chartered may also have to address the imbalance of a group which has its headquarters in London and the bulk of its operations abroad. Standard does not earn enough taxable profit in the UK to obtain full relief for all the taxes it pays elsewhere. It might make more sense to relocate - possibly to Singapore.

But Galpin sees this imbalance as "an opportunity", and he is keen for the bank to remain London-based. Once Standard has recovered its strength, he sees it expanding its UK operations, possibly through acquisition. The European end of the group has already been reorganised. Many UK branches have been closed, and its continental operations were sold last year to Westdeutsche Landesbank, with which Standard formed a joint merchant bank.

The culture of Standard Chartered is clearly changing. Galpin's decision to move its Bishopsgate headquarters to more workmanlike surroundings of London Wall last year was evidence of that. But its competitors are still sceptical. "Occasionally they show bursts of marketing enthusiasm," says a leading competitor in the Far East. "But I can remember when they were stronger competitors."

Many people in Standard Chartered would probably agree that the bank has seen more glorious days. But they prefer not to dwell on that. This is a time for making money, not waving flags. "Over the past six months, I have had a growing conviction that we're doing the right thing," says Galpin. Previous articles in this series appeared on April 19 and 22.

Slow to capitalise on a valuable franchise

It is 3pm in Petaling Jaya, a sweltering suburb of Kuala Lumpur, and the local Standard Chartered branch is closing its doors for the day. It could be any British high street branch with its rows of tellers serving lines of customers. Upstairs, account officers deal with business clients and process letters of credit.

Nur Baiti Abdul Razak, the sales and services manager, points out that opening time has been brought forward to 9.30 am. The extra half hour is to meet competition down the road, she says. The branch also has a special new counter for clients needing personal attention and advice - all part of Standard Chartered's drive to sell more products.

Two thousand miles away in Hong Kong, Rhonda Yu is making a similar push for business in Standard Chartered's Causeway Bay branch. The freshly renovated banking hall is gleaming with the bank's white, blue and green livery. On the wall is a graph showing the branch's performance against the year's targets. It's not doing badly.

Why did she choose to work for Standard Chartered when there are so many banks in Hong Kong? "It's a big name," she exclaims.

Standard Chartered is a household word through most of the Far East. But it has been slow to capitalise on its potentially valuable franchise. In the mid-1980s it still had only one branch in Hong Kong, and the manager refused a request to open a branch in Kowloon because in his view the customers should come to their bank, not the other way round.

Today, the bank is marketing its services aggressively, using US expertise. Jim Allanson, who heads Hong Kong retail banking, was trained at Procter & Gamble, and was president of the Midwest division of Household Bank before joining Standard Chartered. He recognises the bank's past failings. "But we want to be known as the bank that's getting better," he says.

Corporate alliances

Equal partnerships stand a better chance of success

Guy de Jonquieres reports on cross-border relationships

The rapid growth of cross-border corporate alliances, from distribution agreements and collaborative research to equity partnerships, has been one of the most striking features of international business in the past decade.

Yet remarkably little is known for sure about why alliances succeed or fail, how they can be managed most productively and whether they can provide the basis for durable relationships.

Management consultants McKinsey recently set out to answer these questions by studying cross-border alliances, joint ventures and acquisitions involving 150 large US, European and Japanese companies in a broad range of industries. The project covered large deals in effect between 1981 and 1987.

To McKinsey's surprise, it found that just over half the cross-border alliances and acquisitions examined succeeded. That is a higher proportion than has been found by most studies of deals between companies in the same geographic market.

Furthermore, joint ventures in which ownership was split 50/50 had a success rate superior to those in which financial holdings were unequally divided.

The main test of the success or failure of acquisitions was the financial returns generated. In the case of alliances, partners were also asked whether the arrangements met their strategic objectives and improved their competitive position.

The McKinsey study confirms that cross-border acquisitions work best when the aim is to strengthen core businesses. Alliances, on the other hand, can be used to expand in both core and non-core activities. Unlike acquisitions, they can also be used to fill functional gaps or to share costs.

An important pre-requisite for success is that they should marry partners with strong existing positions in different geographic markets.

Failures also occurred when partners were financially weak, lacked the required functional strengths or had incompatible corporate cultures and strategic goals. Joint ventures could be wrecked if the profit expectations of its owners differ too widely.

According to David Ernst, one of the McKinsey consultants working on the project, one of the first points to be grasped when negotiating alliances is that most have a limited life because they are usually formed for quite specific purposes. To survive beyond their typical seven-to-10 year lifespan, their scope and objectives must be broadened.

Firm intention is to buy out partner

Companies should decide at the outset whether they want to end up as the "buyer" or the "seller" of a partnership and shape their approach to structuring and managing it accordingly. Of 18 terminated alliances studied, more than three quarters were purchased by one partner, while the rest were either sold to a third party or dissolved.

McKinsey finds that most Japanese companies enter international alliances, expecting them to last for less than 10 years, and with the firm intention of buying out their partners. But western companies are less clear about their ultimate objectives and often end up being bought out by Japanese partners.

Ernst also emphasises that because alliances must meet the interests of separate companies, they are inherently more unstable than acquisitions. Getting them right requires substantial investments of top management time.

McKinsey has identified a number of basic ground rules to be observed when embarking on cross-border partnerships. They include: Do not attempt to negotiate the financing and control of a proposed alliance until its

business logic has been fully agreed. Bargaining over price should be left until last because it is an adversarial exercise which inhibits companies from sharing information.

● Aim for 50/50 ownership wherever possible, to ensure that both partners are fully committed. Of the joint ventures studied, 56 per cent succeeded when ownership was equally divided, compared with only a third of those with an uneven shareholding split.

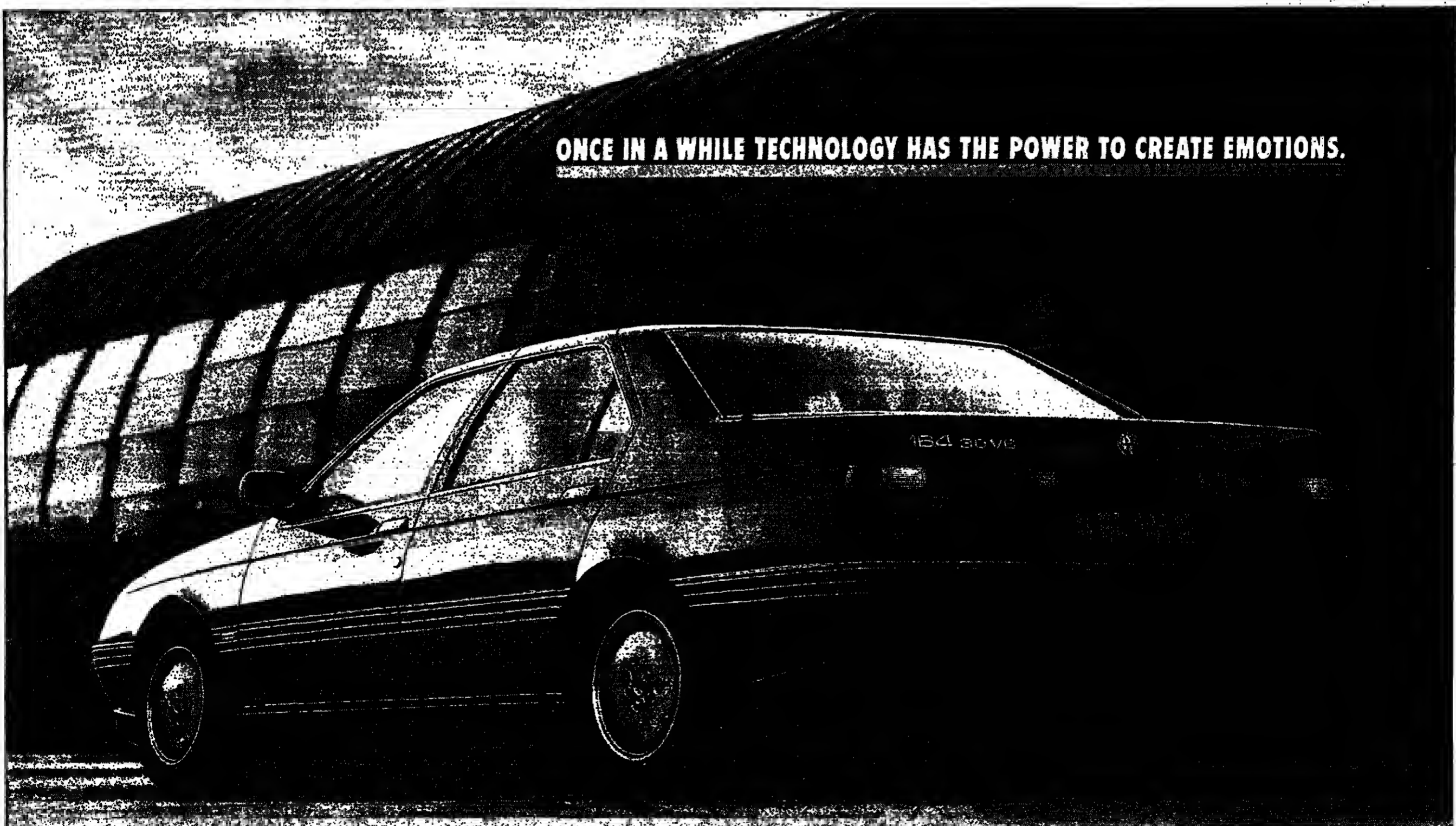
● However, even where ownership is equally divided, one partner should be clearly responsible for ultimate management control. The McKinsey study found no instances of a successful joint venture where management control was shared evenly between the owners.

Control should be channelled through a strong chief executive in the joint venture, with considerable operating autonomy. Joint ventures should also have strong boards, able to insulate them from conflicts between their parents.

● Recognise that teething troubles are likely, usually in the first two years. Typically they include reluctance by lower level managers to contribute to an alliance; differences over internal transfer pricing policies and poor communications between product development staff in one partner and marketing staff in another.

● Set up effective mechanisms for resolving conflicts from the outset. These will often require direct involvement by chief executives of the partner companies, who should be prepared to devote considerable time to ensuring that co-operation develops smoothly.

That underlines the study's central finding - that alliances depend on the degree of commitment by the partners to making them work. Those which meet their goals do so because both sides derive benefits from them. "Very few deals end in success for one partner and failure for the other," says Ernst.



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BUSINESS AND THE ENVIRONMENT

UK takes the show to Japan

The Japanese are studying a successful UK scheme which encourages business to work with government and local communities to rehabilitate industrial waste lands.

At the end of this month a delegation from the Groundwork Foundation, a Birmingham-based charity, begins a two-week tour of Japan as guests of the Centre for Environmental Information Science in Tokyo.

"The Japanese are interested to hear more about our efforts. We are keen to understand better the Japanese environmental problems and how they are tackling them. We will also find out if we can be of help to them," says John Davidson, Groundwork's chief executive.

The charity was set up in 1981 by Michael Heseltine, the UK environment secretary, during his first stint in the job.

It was founded on the principle that such groups should have an entrepreneurial structure and spirit.

Groundwork has been involved in thousands of successful projects over the past 10 years. The scale of its activities ranges from helping young people clear fly-tipping from a Manchester council estate to the establishment of a commercial trout fishery in a worked-out claypit alongside polluted land near Liverpool.

All of the projects involve a partnership of local business, government bodies and voluntary groups. Groundwork operates as a consultancy to co-ordinate the various parties.

While local and central government provides most of the money to fund the projects, industry plays an important role by providing equipment and resources. IBM has installed computers to make Groundwork's administration more efficient. Companies such as Esso, NatWest, British Gas, Ciba Geigy, Shell, Pilkington and Marks and Spencer have provided staff on secondment.

Groundwork's success in the UK is now being duplicated on the Continent with projects set up in France and the Netherlands. The Japanese are hoping to establish a Groundwork pilot project by 1994.

Peter Knight

Lawyers have never been popular figures. Rightly or wrongly they are perceived as making a living out of other people's problems.

In the United States, where a national environmental clean-up programme, known as Superfund, has just celebrated its 10th birthday, environmental lawyers are finding themselves accused of cashing in on the country's pollution problems.

Superfund was set up under the 1980 Comprehensive Environmental Response, Compensation and Liability Act. The programme is designed to identify and organise the clean-up of thousands of toxic waste sites across America and to recoup the cost from industrial polluters.

As the programme begins to bite, US industry has started to complain vociferously about having to meet the burgeoning costs of cleaning up the mistakes of previous generations.

Together with the insurance industry it is lobbying Congress for a change in the basis of Superfund liability. And in an attempt to win popular support for its campaign it has decided to attack the only group which appears to be making money out of the drive to clean up corporate America - the lawyers. The campaign message is blunt: "Somebody's cleaning up, but it's not the environment."

There is no doubt that environmental law is now big business. Law firms, never slow to spot the chance to make a fat fee, have seized the opportunity offered by the rise in environmental issues with both hands.

Jim Rogers, partner at US law firm Skadden Arps Slate Meagher & Flom, has been practising environmental law since the early 1970s. When it first became recognised as a separate discipline, he says, you could put all the environmental lawyers in America into a small hotel ballroom.

Twenty years on, more than 22,000 lawyers are registered with the American Bar Association as environmental law specialists. The big surge in their number came in 1985 as Superfund began to increase significantly the number of sites requiring clean-up. Law firms which had one or two environmental lawyers suddenly had 10 or 20.

Between 1980 and 1984 the Superfund legislation had little impact. But by 1985 the staff to run the US Environmental Protection Agency and the regulations to drive the Superfund

Robert Rice describes how lawyers are capitalising on environmental legislation

A very profitable practice

programme were in place. Industry suddenly woke up to the realisation that it could easily find itself on the wrong end of a multi-million dollar clean-up bill.

Cautionary tales have by now become common place. In 1988 Occidental Chemical, a subsidiary of the oil giant, was ordered to pay the \$260m clean-up costs of a toxic landfill site in New York state which had been used by Hooker Chemicals and Plastics during the 1940s and 1950s to dump dioxins, even though it did not take over the Hooker Corporation until the 1960s.

The EPA is currently trying to force General Electric to pay the \$280m cost of dredging 500,000 pounds of PCBs which the company dumped in the Hudson River between 1945 and 1977.

Faced with costs like these industry has begun to look for more and more parties to share the financial burden.

The Superfund legislation gives the US government the right to force all potentially responsible parties (PRPs) to pay for the clean-up of contaminated sites. PRPs include the

current toxic site owners, past owners and anyone who has generated or transported waste to a selected disposal site. There can be hundreds of PRPs for one site.

Large corporations targeted by the EPA have begun to launch a wave of third-party actions against smaller PRPs, such as municipal authorities and smaller businesses which have sent domestic waste to sites already contaminated by factory waste.

In California, for example, officials from 29 cities are currently fighting a lawsuit by oil and chemical companies that want them to pay as much as 90 per cent of the \$300m clean-up costs for contaminated sites near Los Angeles.

Superfund has only just begun to scratch the surface of the clean-up problem. Of the 1,236 contaminated sites placed on the Superfund national priority list, clean-up has been completed at 63. Only 29 sites have been deleted from the list as the long-term effectiveness of the work has been verified.

The pace of the Superfund programme is picking up, however. Emergency action to

remove immediate threats has been taken at 423 sites. Investigation is under way at 504 sites and clean-up work under way at 272.

But as chemical analysis becomes more sophisticated pollution is being detected in ever smaller amounts. The consequence is that 31,804 sites have now been identified for possible inclusion on the Superfund priority list and more are bound to follow.

In the UK, the increase in the number of environmental lawyers has been no less dramatic. In 1985 when two academics, Andrew Waite, now with City Solicitors Linklaters & Paines, and Stephen Tromans, now with City Solicitors Simmons & Simmons, started the UK Environmental Lawyers Association it had just 47

members, most of them fellow academics. By March 1990 membership had risen to 600 and today it stands at more than 1,100, 95 per cent of whom are in private practice.

Many of those claiming to be environmental lawyers are planning lawyers or conveyancers or company lawyers wearing a different hat but offering the same advice. The volume of genuine environmental work is small except for firms with long-established clients in the energy, water and waste disposal fields.

The regulatory work is bound to increase, however, and much of the impetus will come from Europe. The draft Civil Liability for Waste Directive, which threatens a regime for Europe not dissimilar to Superfund in the US, is locked in a battle between the European Parliament and the European Commission, but must become law eventually.

There is a draft Landfill directive governing the control and monitoring of toxic waste sites which should be adopted shortly. Registers of contaminated land are to be compiled in the UK. Part I of the Environmental Protection Act is being phased in from April.

When transactional work picks up and the property market recovers environmental law promises to be every bit as profitable for the UK profession as it has been for the Americans.

Chris Clarke

Superfund sites at which remedial action began

Source: Environmental Protection Agency report "Progress Toward Implementing Superfund"



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Green threads at John Heathcoat

By Alice Rawsthorn

Ever since 1898 when its founder fled from the Luddite gangs in Nottingham, John Heathcoat has been manufacturing textiles from a mill in the picturesque town of Tiverton on the River Exe in Devon.

A few years ago the local community became concerned about the coloured effluent being discharged by Heathcoat from its dyehouse into the Exe. The company has since invested \$500,000 in a precipitation treatment plant to ensure the effluent is treated before it goes into the river.

So far the new plant has worked reasonably well, although Heathcoat is making some modifications which will cost at least another \$80,000. The bottom line is that Heathcoat, a small private company, is incurring substantial costs in its efforts to become environmentally responsible.

Heathcoat is one of the growing number of textile companies investing heavily to make its production process less damaging to the environment. As the level of environmental regulation increases, so will the cost of compliance. A new report* from the Economist Intelligence Unit (EIU) suggests this will create a major challenge for the international textile industry in the 1990s.

Textiles, like every other sector of manufacturing, is under pressure on the environmental front to be more economical in its use of water and energy. However the industry also faces particular problems in the areas of fibre processing, dyeing and finishing.

Perhaps perversely the problems in processing are concentrated among the natural fibres, such as wool and cotton, which are biodegradable and generally seen as environmentally "friendly", rather than man-made fibres, like acrylic and polyester.

The cleaning and degreasing of wool involves the release of damaging waste substances. The washing of cotton involves using aqueous alkalis or solvent de-waxing. By contrast acrylic fibres are produced from a concentrated solution of polymers in a recyclable solvent. Polyester and polyamide fibres are melt-spun, so no effluent is produced.

Dyeing also poses problems. Soluble dyes and toxic substances from dye auxiliaries tend to pollute waste water. The red dyes in the effluent from John Heathcoat were so strong that they coloured the water in the River Exe. Offley, the Dutch children's wear manufacturer, has already started using natural dyes made from flowers and water.

One of the chief concerns of the Swiss chemicals group, has withdrawn a number of its dyes from the market.

In recent years the textile industries in North America and Europe have faced mounting restrictions concerning the use of pollutants in the production process. This has inevitably imposed higher costs on manufacturers. As the level of regulation increases, the costs could become even higher.

One of the chief concerns of North American and European textile companies is that, if the level of environmental regulation continues to increase, they could become less competitive against their Third World counterparts benefiting from lower costs in a less regulated environment.

There is already evidence of some companies withdrawing from certain sectors of textile production because of higher costs. One US group recently pulled out of viscose because of the cost of complying with the Environmental Protection Agency's guidelines.

In the longer term higher costs could prompt companies to transfer production to lightly regulated countries. A number of Hong Kong textile companies have moved production to China and have cited environmental regulation as one of the reasons for the change.

The EIU suggests this problem could be alleviated if responsibility for environmental regulation applied to retailers - who would have a "duty of care" to ensure that their merchandise has been manufactured in an environmentally responsible way - as well as to manufacturers.

*Textiles and the Environment. Published by the Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. Price £195.

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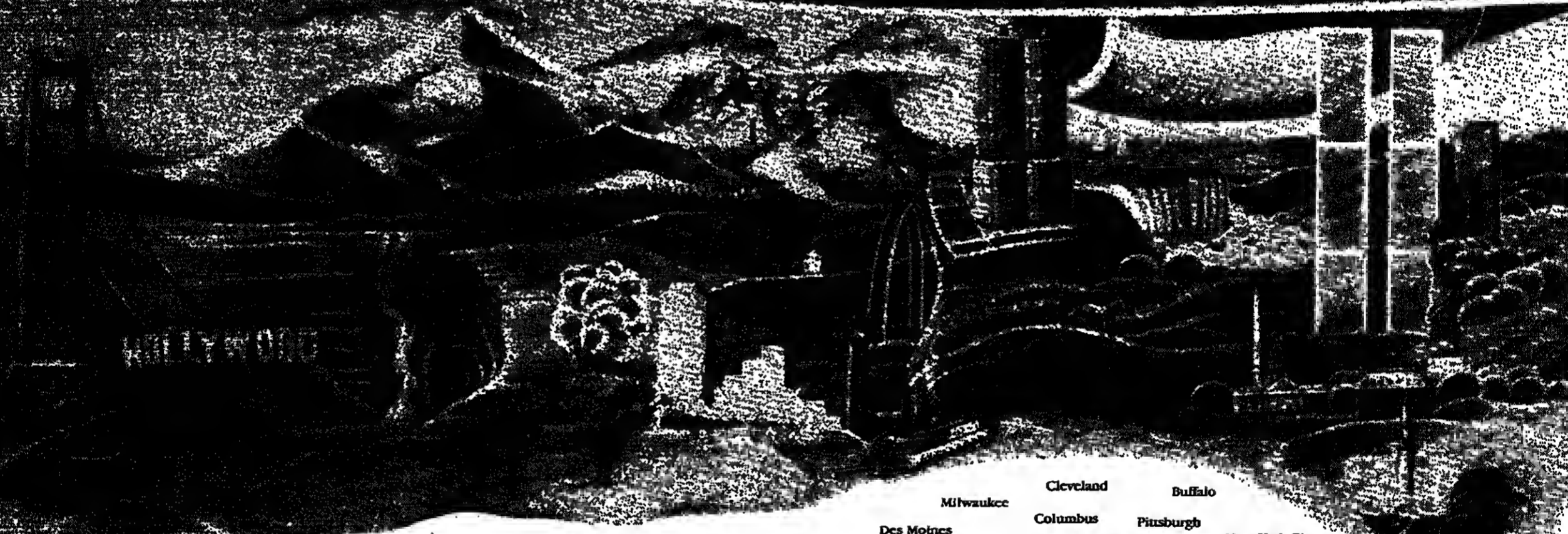
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ARTS

Gingerly, the sun comes out in Cannes

The last shot of Akira Kurosawa's new film *Rhapsody in August* shows an old Japanese woman struggling through wind and rain holding high a broken umbrella. We at Cannes 1991 know how she feels. We have breathed the foulest weather seen in these parts since the great flood. Critics have entered the Ark of the festival palace two by two, in order to stay upright or to share battered brooms. Out on the streets, wading through puddles, we hold high our umbrellas.

On day one jury president Roman Polanski instructed his team, including Whoroff Goldberger and Alan Parker, to judge every film on the entertainment value. This precept would make life laughably easy for the jury. First two days of the festival no entertainment value at all. In the giant Lumiere Theatre 1500 seated film-viewers watched the Czechoslovakian *Assassin of the Tsar*, a muddy-hued Russian talk-piece with Malcolm McDowell as a schizophrenic who thinks he killed Nicholas II; Patrick Bonchitzky's *Cold Moon*, a French buddy film of a connoisseur of terror; and Werner Schroeter's *Malina*, in which Im-

belle Huppert plays a manic depressive whose life is falling apart in much the same way as the film.

Then, gingerly, the sun came out and so did the films. The largest crowds swelled to the foot of the steps to the Salle Debussy, home to Cannes' counter-culture event, the Directors Fortnight. This kicked off with a spry Australian melodrama called *Proof* and then mounted a lively gothic attack with America's *Paris Trout*. Grand old American hippie Dennis Hopper arrived to introduce this controversial murder thriller, in which he plays a Southern bigot fond of shooting black women and abusing his wife Barbara Hershey. Steven Gyllenhaal's directing debut is moody, nasty and elegant, though more work might have been done in the motivation department.

Back in the Lumiere, wonders began to start. Kurosawa's *Rhapsody in August* is a tender tragicomedy about a Japanese family haunted by memories of Nagasaki. Like the water make that thrashes towards the four young children in one picnic-by-a-waterfall scene, the film is about tensions between

generations and nations - Richard Gere floats through as an American uncle - and its plain, domestic mise-en-scene makes doubly effective the outbreaks of surrealism. A giant celestial eye opening in an H-bomb burst; two lightning-blasted trees haloed in a forest clearing, like ghostly lovers.

But the early Golden Palm favourite is a Danish-German-Swedish co-production called *Europa*. What sounds like a recipe for a nightmare Euro-pudding - mixed-nation actors teamed in a tale of postwar chaos set in 1945 Germany - turns out to be a sumptuous smorgasbord of style. Writer-director Lars Von Trier made the Borgesian thriller *The Element of Crime*, a coterie hit at Cannes in 1984. This is madder and more magnificent. An innocent American (Jean-Marc Barr) takes a railway job in a Europe trying to reconstruct itself. But recent German muds weave shadow-patterns and weird chromaticisms in hero's mind and movie's images. Flecks of colour spatter the dominant monochrome; rearing crane-shots defy gravity and, multi-projection techniques show characters

speaking to filmed images of their companions; and exteriors are a blizzard of wonderland of rubble and girders, pockmarked mansions and reeling monuments. In the anniversary year of *Citizen Kane*, Von Trier has rediscovered some of the visual conjuring tricks that made Welles' film so exciting.

Britain, which bowed out late from the Competition by withdrawing Peter Greenaway's *Prospero's Books* (work is still in progress), displayed two eye-catching films in sidishow events. *Young Soul Rebels* is like a fairground whirligig run amok: a tale of ethnic London shot in rainbow hues, in which two young black DJs fight racism, philistinism and a mystery killer. One of the DJs is gay, whereby hang the startlingly candid love scenes. The British Film Institute, who produced the film, also unleashed the recent, much in the *Rebel of the Senses*. Are they now our leading crusader against Aunt Edna?

More sex, this time incestuous, in Stephen Poliakoff's Channel 4-produced *Close My Eyes*. Saskia Reeves and Clive Owen are the love-torn siblings in a film to date, scripted with the diamond

obliquity of Pinter and graced with a wickedly funny performance by Alan Rickman as Reeves' languid hubby.

All that is now missing at Cannes is the annual convoy of major American stars plus major American films. Gulf War nerves are said to have caused the absence of any top Hollywood movie in the competition. Only US entry seen by me to date: Irwin Winkler's *Guilty By Suspicion*. Here a curly-headed Robert De Niro plays the McCarthy witch-hunt victim in a drama about the Un-American Activities crack-down in 1950s Hollywood. Alas, a firecracker subject is treated with damp reverse, more like a TV problem-of-the-week film.

Still in prospect, films by David Mamet and Spike Lee. But few front-of-camera movie glitters seem likely to arrive this time to brave the flashbulb-and-red-carpet treatment. As compensation a famous blonde singer is cutting a celebrity swathe through town, promoting her feature documentary *In Bed With Madonna*. More when I have bumped into it and/or her.

Nigel Andrews Mad and magnificent: scene from Lars Von Trier's 'Europa'



TELEVISION

Uncivil wars

At the beginning of last week's episode in Channel 4's six-part series *Civil War* about the events in 17th century Britain, historian Richard Holmes said: "I think it's easy to get at least a feel for the reality of 20th century war. After all, our fathers, perhaps, fought in the Second World War, our grandfathers in the First, and there's an abundance of films, memoirs, film, photographs, so we can begin to grasp the experience of battle. But when you go back to the 17th century it's awfully easy to get hooked on the essentials: to see figures in bucket-top boots and plumed hats, and not to get beyond that... to let the romanticism and veneer of what we see us the actual realities of what went on in the smoky and dangerous and terrifying world of 17th century battle."

It is a persuasive and in some respects convincing argument. Yet even though Holmes was speaking for the camera of television, he was doing so in a pre-television frame of mind. Whatever the people in dusty rooms at Penhryn or St Catherine's may believe, television is changing history, or anyway our perceptions of history, because of the manner in which it is able to bring us the actual realities of what went on in the smoky and dangerous and terrifying world of 17th century battle.

By chance Channel 4's series about the British civil war has coincided with BBC2's screening of *The Civil War*, about the American event in the 1860s. The differences have been striking. The American series has looked just about the simplest form of documentary imaginable: historians speak to camera, and we see maps and drawings interspersed with modern footage showing the countryside and sometimes the towns which, 130 years ago, were the battle-grounds. American folk songs have been used as a connecting ribbon throughout.

The great strength of this series, however, comes from the photographs. The Victorians were not only enthusiastic photographers, they used processes producing inherently beautiful objects (many of which, incidentally, will last much longer than today's snaps thanks to the high silver content in 19th century prints) and the series exploits them admirably. Confederates and Unionists alike gaze out at us, usually with serious expressions, somehow made more poignant by the sepia tint with all its associations. Readings from letters or diaries often accompany the pictures.

The habit of starting such sequences with a close-up on the soldier's helmet and panning slowly up to the

face is irritating, but the power mentioned by Holmes emanating from this contemporary material is undeniable. Obviously no photography was possible during the British civil war, and according to the Holmes thesis it should be far more difficult for television to convey the experience of that event. Yet, thanks to Downing and director David Edgar, a remarkably vivid impression has been achieved.

Once again we have film footage, this time showing the countryside around Edgehill or Marston Moor as it is today, and where the Americans had their many photographs there are occasional oil paintings, especially of the royals. But the "smoky dangerous and terrifying world of 17th century battle" comes across graphically via film of (presumably) those societies which exist to dress up and re-enact the battles of the civil war. Those pictures, combined with a good verbal description of exactly how nasty it was to participate in a fight with history as with, say, current affairs (which, anyway, simply means very recent history).

Regular readers of this column will be familiar with the belief that in programme making what often matters most is not technique but intent. That is surely as true with history as with, say, current affairs (which, anyway, simply means very recent history). At one stage in last week's British civil war programme colour film of the Naseby countryside, faded to black and white and we cut to a monochrome film showing a battlefield burial from the First World War. Perhaps not a practice of which an academic historian would approve, but one which delivered its message very effectively. The availability of contemporary film or pictures is not necessarily crucial, though admittedly without letters, diaries and other written documents, history from that period would be pretty well lost to us.

Given my willingness to accept the re-staged battles and the anachronistic use of First World War material in *Civil War*, why should I have felt so much more doubtful about the use of reconstructions in this week's *Panorama*? Here we had yet another revealing, scandalous from the Cold War years, this time from the US. The reporter was Tom Mangold, a dependable television journalist of the old school with the chutzpah of a Desmond Wilton, and his subject was the CIA counter intelligence chief James Angleton. What there are newspaper cuttings, press photos, and even a few bits of newsprint featuring the spies that Angleton dealt with, there is no film of Angleton himself at work, since he had a desk job in an office building.

Producer, Jenny Clayton decided to bridge the gap with "reconstructions" and screened them in black and white, with the sort of histrionic lighting made



The English Civil War recreated on Channel 4

famous by the Warner Brothers gangster movies of the 1940s. You could argue that, although the Americans started shooting colour newsreels in World War 2, they styling and editing to mark the separation between real documentary footage and reconstructions. The uneasiness comes from the fact that while pictures of Angleton working may have been desirable they were not vital, and the reconstructions, complete with mood music, served to distract and having him comment on them, so that the viewer sees such famous incidents as the rows over Prior, Heseltine and Howe and then hears Ingham's own version of his part in them, complete with choked-sound effect and Dan Dink's eyebrow exercises. The historical value is not necessarily greater than that of "diaries, memoirs, film, photographs", but it is surely as great.

Much of *Everyman's* footage showing the brutal suppression of Lithuanian nationalism by Russian tanks and soldiers seemed to be amateur work, but the worse for that. On the contrary, when our grandchildren watch it, there will be precious little chance of them becoming "booked on insensitivities" or feeling that the "dreadful realities" have been concealed from them. Television's precise contribution to history is incalculable but surely very large.

Christopher Dunkley

Same Old Moon

GLOBE THEATRE

After having seen the first part of *Same Old Moon* at the re-opening of the Oxford Playhouse last month, one went to its arrival in London with the heart somewhere between the knees and the boots. Yet it is amazing what hard work and a better stage can bring. This is not another *Dancing at Lughnasa*, and not only because Geraldine Aron does not write as well as Brian Friel - it would be hard to do that. Ma Aron's piece also lacks the imagination and the ability to create a world on its own that are so conspicuous in *Dancing*. But, seen at the Globe, it is not a bad play.

The Oxford theatre is cramped and box-like, perhaps fatally. The Globe has space enough to illustrate the title. The moon shines on Dublin, Galway, London and such faraway places as Rhodesia (as Zimbabwe then was) and Australia. The question is whether it is always the same moon.

One answer is given by the Irish barman who turns on the wireless and hears of the

Japanese attack on Pearl Harbour. "Always the same old news," he says in disgust as he turns it off. In other words, it depends on the way you look at it.

Brenda, now beautifully played by Gabrielle Reidy with a confidence that the same actress did not have in Oxford, is Catholic, Irish, and wants to get away and write. She has a father who appears to dislike her. Almost on his deathbed he confesses it is because they are too similar. He admires her, however, because unlike him she does not think that it is always the same old moon. She goes off and does things.

The play has some strong vignettes. A nun demonstrates to Brenda the act of procreation with a phallic-shaped biscuit and a doughnut. Brenda exchanges one of her first kisses in return for a ride on a bicycle. It is the bicycle that gets bent and broken. Best of all is the letter from the Vatican in response to Brenda's appeal to the Pope. It is signed by Monsignor Flaherty who adds in brackets

"formerly Martin Flaherty" of a road in Galway.

There are also some clichés: too many attempted jokes about sex and Catholicism. It is not particularly funny that Brenda's father (played by James Ellis and looking curiously like Sir Bernard Ingham) should adopt all the prejudices of an Alf Garnett when he arrives in London, complaining about Pakistanis running the hospital and Jews running the country.

A longish sequence which is devoted to what happens to women when they start wearing a dressing gown must have been played at least a dozen times before, though I suppose it has a twist at the end: it is the fear of the same old dressing gown that spurs Brenda on again.

For my taste it is too Irish, sentimental and maudlin, but others may well like it and Jenny Killick's direction has improved beyond measure since Oxford.

Malcolm Rutherford

Music at the Brighton Festival

Tilson Thomas and the LSO drew a larger audience to the Dome for their Ruggles-Mahler programme on May 12 than the BBC SO had done a week earlier. No doubt the conductor's TV appearances and almost everybody's favourite composer deserve equal credit for filling the house. The performance of Mahler's Ninth Symphony (familiar, I imagine, to London concert-goers) was gripping: I have seldom heard so few coughs from the audience as a British audience on a cold spring evening.

It was instructive to hear in close-up - the Dome's acoustics, though by no means deadening, do nothing to blend orchestral colours - how the strings and woodwinds together half-formed phrases and broken textures and how these textures threaten to disintegrate again. It may have been because the whips and scorpions were out to such effect in the second (Liedner) movement that the following rondo-burlesque was less searing than usual and the

comparative relief half-way through correspondingly less convincing.

There was admirably assured playing in the exposed, sustained pages at the end of the outer movements. Nevertheless, when all the bitter clamour and drenching lamentations were over, one still remembered the small, distant voice of Carl Ruggles, whose *Angels for brass* (muted trumpets and trombones) opened the concert. Such visiting cards are in danger of slipping from the memory. Ruggles's brief hymn, the long lines so packed with feeling that they seem paradoxically knobby, did not do so.

In the Friends' Centre in Ship Street, Gwendolyn Mok opened her recital with Barber's *Excursions*, wisely cushioning them from a masterly reading of Bartók's 1926 Sonata with the *Panosiesticke* of Schumann. Curiously enough the Barber pieces, whose language is outlandish at least conventionally pianistic,

turned out to be the only one of the four American works I heard at the Festival during which it felt a disadvantage not to have been there - one lacked the key to these intriguing scenes.

Shura Cherkassky's recital at Glyndebourne transformed with his wizardry a horrible May afternoon. Bach and Schubert, clear as spring water, alive and intelligent in every bar, were as incisive as they were slow movement of Prokofiev's Sonata No. 7 and, as an encore, a Liszt *Consolation* were warmly poetic.

The American offering in this programme, and a welcome one, was Bernstein's piano arrangement of Copland's *El Salón México*, which revealed itself as first coming to another piano piece of uproarious urban low life by Albeniz - "Lapapiés" in the third book of *Iberia*.

Ronald Crichton

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Claus Peter Flor conducts Royal Concertgebouw Orchestra in Shostakovich's Tenth Symphony and Brahms' Double Concerto, with soloists Jaap van Zweden and Godfried Hoogeveen, also tomorrow. Sat: concert performance of Lucette Borgie, with cast led by Neely Miriclio (5718 345).

Muziektheater 20.15 Hajnburg's Thalia Theater presents Robert Wilson's *The Black Rider*, also tomorrow (8255 455).

BERLIN

DANCE Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake, repeated tomorrow (2004 762).

Kornische Oper 20.00 Tom Schilling's ballet *Wahlverwandtschaften*, music by Schubert (2292 555).

MUSIC Deutsche Oper 19.30 It trovatore with Fabrice Coppias as Leonora, and Giorgio Lauffer as Manrico, also Sat. Tomorrow: Faust with Neil Rosenheim and Inga Weigand.

Fri. Alde: Sun: Götterdämmerung (340 1949).

Schauspielhaus 20.00 Hartmut Haenchen conducts CPE Bach Chamber Orchestra in Bach and Haydn programme, with Jochen Kowalski soloist. Tomorrow: Weimar Staatskapelle plays Bruckner and Prokofiev. Sun: Tansiedt conducts Mahler (2272 261).

Philharmonie Kammermusiksaal 20.00 Vovka and Vladimir Ashkenazy join members of the Berlin Radio Symphony Orchestra for a programme of chamber music by Brahms and Schumann.

Tomorrow: dances and songs from the Middle Ages. Fri: Philharmonie Wind Quintet plays music by Milhaud, Ibert and Koechlin (2614 383).

BONN

Oper 20.00 Michael Boder conducts Jean-Claude Riber's new production of Pelléas et Mélisande, also Sun. Tomorrow and Sat: Falstaff with a cast led by Juan Pons, Barbara Bonney and Hakan Haggagard. Fri: Václav Naumann conducts The Bartered Bride (773667).

BRUSSELS

Monnaie 19.00 Guido Johannes Rumstadt conducts Karl-Ernest and Ursel Herrmann's production of Die Zauberflöte, also Fri, Sat and Sun (219 6341).

GOTHENBURG

Konserterhuset 19.30 Jiri Boholavek conducts Gothenburg Symphony Orchestra in music by Dvorak and Janacek, plus the Flute Concerto

by the Danish composer Vagn Horlo in 1909. Soloist Gerard Schaub. Repeated tomorrow (197000).

HAMBURG

Staatsoper 19.00 Achim Freyer's production of Wagner's *Die Meistersinger* new music theatre piece *Vergangenheit (Transitoriness)*, based on texts by Hebel and Kleist. Runs till Mon (351555).

Deutsches Schauspielhaus 19.30 Michael Bogdanov's production of Romeo and Juliet. Fri and Sun: Hamlet (248713).

LONDON

DANCE Covent Garden 19.30 David Bintley's new full-evening ballet *Cyano* with a score commissioned from Wilfred Josephs (240 1068).

Sadler's Wells 19.30 Birmingham Royal Ballet give premiere of new ballet by William Tuckett, plus works by Ashton and MacMillan, also tomorrow and Fri (278 8916).

MUSIC

Cornwall 19.00 Jonathan Miller's production of Don Giovanni, with Stephan Paga in title role. Tomorrow: Peter Grimes. Fri: world premiere of Stephen Oliver's new opera *Timon of Athens*. Sat: The Cunning Little Vixen (836 3161).

Royal Festival Hall 19.30 James Blair conducts Young Musicians Symphony Orchestra in Blue Danube Waltz, Bolero and Rhapsody in Blue. Fri: Charles Mackerras conducts Dvorak. Sat: David Atherton conducts concert performance of Britten's *Gloriana* (828 8800).

Queen Elizabeth Hall 19.45 Gregory Rose conducts Mozart and Martinu

with London Concert Choir. Monday in Michael Nyman quartets (828 8800).

THEATRE

Diana Rigg is back on the London stage playing Cleopatra in John Dryden's *All for Love* at the Almeida. At the Young Vic, Judi Dench is starring in a new work by C. O'Casey's *The Stars*, set in the Dublin tenements on the eve of the Easter Rising of 1916. The Old Vic has Carmen Jones, Oscar Hammerstein's musical update of Bizet's opera, directed by Simon Callow. The Royal Court is running Caryl Churchill's play *Top Girls*, a study of brilliant women of history in the context of their not-so-brilliant modern sisters. For more information, ring Theatreline from anywhere in the UK: Plays 0836 430859 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962.

MILAN

Teatro alla Scala 20.00 John Cranko's ballet *The Taming of the Shrew*, also tomorrow, Sat and Sun (7200 3744).

MUNICH

Staatsoper 19.00 Donato Ranzetti conducts Ponnelle production of *L'italiana in Algeri*, with cast led by Lucia Valentini Terrani and Simone Alaimo. Tomorrow and Sun: *Olelio* with Rosalind Plowright as Desdemona. Fri and Sat: Cindersella choreographed by Riccardo Duse (221316).

Philharmonie 20.00 Michael Ludwig conducts Munich Philharmonic Orchestra in Mahler's Fifth

Symphony, with Elena Bashkirova (Soloist in Prokofiev's Concerto No 17, repeated tomorrow and Fri. Also at 20.00 in Carl-Orff-Saal: Heinz Holliger conducts Ensemble Modern (48095 614).

HERKULESSAAL DER RESIDENZ 20.00

Christoph Stepp conducts Munich Symphony Orchestra in a new work by Wilfried Hiller, plus music by Strauss and Mozart. Tomorrow: New Baigian Chamber Orchestra plays Mozart and Haydn (289901).

NEW YORK

Metropolitan Opera 20.00 American Ballet Theatre tripla bill, including *Balanchine's Ballet Imperial*, also tomorrow. Fri and Sat: *La Bayadere* (382 6000).

New York State Theater 20.00 NY City Ballet tripla bill, with works by Peter Martins, Jaroma Robbins and Balanchine. Daily performances except Mon till June 30 (870 5870).

PARIS

Théâtre de la Ville 20.30 Semyon Bychkov conducts Orchestra da Paris in Prokofiev's Alexander Nevsky with soloist Marijana Lipovsek, Mozart's Sinfonia Concertante for violin and viola with Anne-Sophie Mutter and Bruno Giurana, plus a new work by Jan Marez. Repeated tomorrow (4028 2840). Tonight at 19.00 in the Châtelet Auditorium, the Tallish Quartet plays string quartets by Janacek, Martinu and Brahms. Théâtre de la Ville 20.30 Japanese dance programme choreographed by Ushio Amagatsu, runs till Fri (4274 2277).

ROME

Teatro dell'Opera 20.30 Marcello Panni conducts Piccinni's *Iphigenie en Tauride* with Kettia Ricciardi in title role. Runs till June 1, with next performance on Sun (463841).

STOCKHOLM

Royal Opera 19.30 Siegfried Kohler conducts Tazee Firth's new Swedish-language production of *Die Entführung aus dem Serail*, also Fri. Tomorrow: Carmen. Sat: Frederick Ashton's production of *Cinderella* (24447).

KONZERTHAUS 19.30

Eri Klas conducts Stockholm Philharmonic Orchestra and Chorus in a concert of opera choruses. Repeated tomorrow (244130).

VIENNA

Staatsoper 19.00 Iven Fischer conducts *Die Entführung aus dem Serail*, also Fri. Tomorrow and Sat: *La Cimarosa* di Tito. Sun: *Die Zauberflöte* (24447).

Konzertsaal 19.30 Eri Klas conducts Vienna Symphony Orchestra in music by Schubert and Weber. Tomorrow: Frans Bruggen conducts Orchestra of the 18th Century (7124 5860).

Messeplatz 20.00 Kant Nagano conducts Peter Sellars' production of *The Death of Klinghoffer* by John Adams (585 1676).

Musikverein 19.30 Klaus Wele conducts Tonkünstler Orchester in music by Rostropovich and Bruckner. In the Brahms-Saal, Helen Donath gives a song recital. (658190).

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1100-1130 FT Business Weekly

Sky News 0710-0740 Moneyweek

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Lord Hesketh's mother loves the Royal Mail. In part it is because she enjoys sending letters which usually get delivered. But above all it is because the Queen's head is on the stamp. It is not a view shared by her son, who as the minister for industry responsible for the Post Office, is looking at various proposals to inject more competition into the service.

If his mother's somewhat nostalgic view of the service appears out of date it should be remembered that it was more or less shared by the last prime minister. The Queen's headed stamps were enough for Mrs Thatcher to rule out privatising the service.

Only Labour MP Tony Benn had realised the significance of this national love affair with the Queen's image, he might have thought twice before embarking as postmaster-general, on his ill-fated campaign in the 1980s to remove the sovereign's head from the stamp.

However, the presence of the Queen's head no longer involves the same reverence in Mr John Major's "classless society". The prime minister has made it clear that the Post Office is a prime candidate for privatisation, and hopes to include a proposal either to sell it off, or at least to open it to competition, in the government's general election manifesto.

The question of how to do it has provoked a fierce battle within the Conservative party. Some on the right of the party want to break up the Post Office and sell off its constituent parts. The Department of Trade and Industry, however, favours more competition but is sceptical of outright privatisation.

Officially, the DTI is adopting the Major adage of "nothing ruled in, nothing ruled out". But officials are already dismissing two possible options: do nothing or privatise the Post Office as one business.

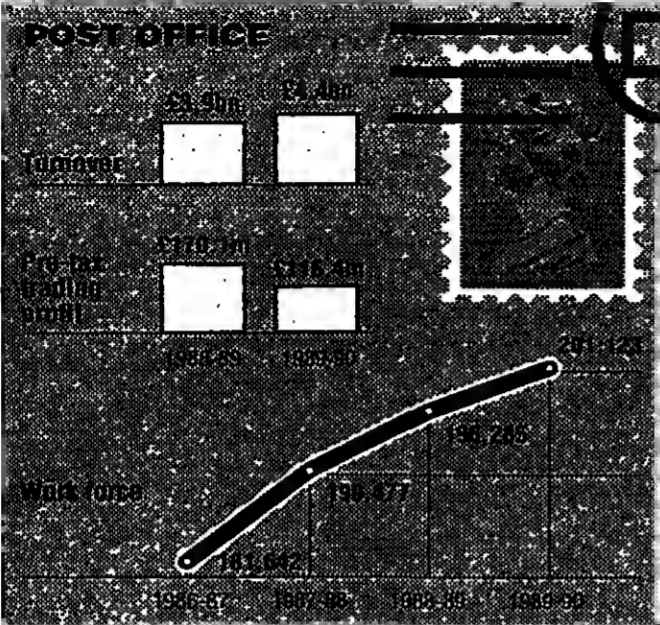
At the moment, the Post Office is organised in three divisions - parcels, counters and letters - and wages account for more than 80 per cent of total costs.

Those in favour of outright privatisation are led by the Centre for Policy Studies (CPS). It has drawn up a report with the aim of breaking up the Royal Mail into four regional businesses, which would then be privatised. A new Office of Posts (Ofpost) would be created, with a similar role to that of the Office of Telecommunications. It would have the power to grant licences to new entrants to the market.

The DTI is anxious that any privatisation plan should not

Fresh package for the post

Roland Rudd on the proposals for — and costs of — reforming Britain's postal service



allow private courier firms to "cream off" the most lucrative geographical areas such as big cities. Mr Michael Corby, author of the CPS report — to be published soon — says the regulator could prevent this happening by forcing the new mail companies to provide a letter service in relatively large areas.

This proposal may be too far-reaching for the DTI under Mr Peter Lilley, although he remains the most senior member of the No Turning Back Group of Thatcherite MPs. The secretary has long been an advocate of reforming the Post Office.

The Adam Smith Institute, the free-market think-tank, is proposing a different solution. It believes that at least one private-sector company should be licensed to compete with new privatised Post Office businesses.

However, the DTI is sceptical of the claims of some private couriers, such as TNT, the Australian-based delivery company, to be able to provide a rival service.

Before the DTI makes a decision it wants a more detailed run-down of Post Office finances. Although the Royal Mail's management, responsible for the letters service, is conducting its own financial review, the DTI has decided to scrutinise the figures itself. It wants to know the cost of every Post Office function, from sending a letter, to the inward and outward sorting, to its final delivery.

The department also hopes to find out the extent of any cross-subsidy between different geographical and business divisions within the Post Office so any financial propping up of one area by another can be ended. The DTI plans to finish its studies into the Post Office's finances by the summer.

The department is not satisfied with the assertion of Mr Bill Cockburn, Royal Mail managing director, that he knows the detailed costs involved in sending a letter, and says most of the figures have been sent to the government's watchdog, the Post Office National Users' Council.

The DTI doubts whether the figures are as detailed or as accurate as they could be. Officially, the department is awaiting the Royal Mail report before making any comment. It

would also like to know why overall Post Office profits fell last year from £170.1m to £116.4m on turnover up from £3.9bn to £4.4bn.

Mr Cockburn says he initiated the DTI audit. In anticipation of a European Commission report into liberalising postal services, Mr Cockburn has asked his managers for a detailed list of the costs of sending a letter. This will enable him to compile a pricing structure for Royal Mail services. Private couriers might then seek to carry mail, and in rural areas, to pay the Post Office for delivering the letter on its final stage.

Although Mr Cockburn's initiative to introduce more competition has been welcomed within the industry, DTI ministers are being urged to remain wary of the Post Office's figures. The Mail Users' Association, a pressure group that claims to represent businesses with postage bills totalling £40m a year, says the government should force the Post Office to break down the costs of first-class and second-class stamps. Mr Leon Morelli, the association's chief executive, says: "It is a monolithic organisation which appears to be wasting money."

He cites the case of the Post Office's fleet of vans, which he says run on average for only six hours a day and clock up 12,000 miles a year. He also believes the organisation's buildings are only used for an average of seven hours a day.

The DTI will study similar claims of inefficiency. The option currently favoured by the department is for collection and sorting of mail to be contracted out to private bidders, which could either include in-house Post Office management buy-outs or private couriers. Once the post has been sorted it would be collected by the Post Office or its regional contractor. The parcels division could be sold off as a single entity.

Under this plan the Post Office's existing national structure would be retained but its 64 districts would be converted into nine business divisions. Nevertheless it may be too early for Lord Hesketh's mother to jump for joy at the news that the Queen's head is to remain on British stamps.

The Royal Mail has yet to complete its financial review, and the DTI may not even have the last word. The Treasury and finally the prime minister will want their say. As one senior government official warned: "The debate on the Post Office's finances has only just begun. Those in favour of straightforward privatisation could yet win the day."

Edward Mortimer

White man eyes his burden

Conditions are ripe for a new imperialism, except that there is a shortage of imperialists



FOREIGN AFFAIRS

The whole question of sovereignty needs to be addressed for Sudan as in Iraq. If a regime has proved absolutely intransigent, has seized power, and is incapable of feeding its own people, the option of the international community should not be abdication and indifference, but intervention. The precedent set in Iraq should be applied to Africa, where the situation is more grave.

If those remarks seem familiar, it is because you read them on the opposite page a week ago. They were made by Mr Kofi Annan, deputy secretary of the Sudan Council of Churches, and quoted in the article on famine in Africa by Julian O'Sullivan and Michael Holman. But they seem to me well worth reprinting, and thinking about.

In practice, as O'Sullivan and Holman pointed out, "the world community shows no sign of treating the action to save the Kurds as a precedent" in Africa. Nor is there any compelling reason why it should.

Iraq is a special case. Its government has clearly demonstrated, by waging aggressive war, that it is a menace not only to its own citizens but to neighbouring countries and to world order. The world community felt obliged to take up arms against it, and having done so would have had a strong legal case for removing it from office by force of arms.

There were strong political arguments against that, but these should at least not have inhibited the victorious allies from rendering moral and material support to those Iraqis who, in the immediate aftermath of a disastrous and unjustifiable war, tried bravely to overthrow the government which had started it.

The legal case for carving out an arbitrarily delimited enclave from its territory looks a good deal weaker, but there was a strong moral argument that the allies, having failed to assist the Kurds in those special circumstances, had incurred a special responsibility towards them. I would argue that this responsibility is

not limited to the fate of the Kurds, but extends to all the Iraqi victims of President Saddam Hussein's victory over the uprisings. But let that pass for the moment. My point today is that "the world community" does not have any such direct responsibility for the fate of those starving in Sudan and other parts of Africa.

The phrase "world community" is in any case something of a euphemism. The decision to intervene in northern Iraq was taken initially by only three governments, and still does not involve more than a dozen. Unlike the action to remove Iraq from Kuwait it was not specifically authorised by any UN resolution. It is unlikely even now that a majority in support of the intervention could be mustered in the UN Security Council, let alone in the General Assembly. To speculate whether a major-

further notice it is unlikely to offer serious opposition to any US action other than direct interference in its own internal affairs. No other state, after watching the fate of Iraq, is likely to contemplate challenging US power beyond its own borders. Probably not many today would even be confident that they could emulate Vietnam by surviving and eventually defeating an American intervention on their own territory.

The limits to American power are mainly internal. Mr Saddam himself sensed this, as he showed when he told the US ambassador, a few days before invading Kuwait, that "yours is not a country which can lose 10,000 men in a single battle". We still do not know whether that figure is right, because it turned out that Mr Saddam had wildly overestimated his own capacity to inflict casual-

ties on US forces. But he certainly was right in thinking that the American appetite for overseas military adventure is limited, and that any US president will become cautious when there is a risk of high American casualties.

There is thus a psychological limit on the exercise of American power. There is also an economic limit, or at least a financial one, though it can be argued that in the last resort that limit is psychological too. The US economy is big enough to support a military effort on almost any scale. But the capacity of the US political system (or, which I suspect is really another way of saying the same thing, the will of the American people) to face up to difficult choices is very limited. Few foreign policy goals are likely to seem so important to people in Washington that they will be pre-

pared, in order to achieve them, to cut social security entitlements, or even to increase the price of gasoline. That means that military action is much easier for US presidents to contemplate when, as in the Gulf war, there is a reasonable prospect of getting other countries to pay for it, and when there are allies willing to share the political and military risks. This fact serves to enlarge the "world community" somewhat. Other industrial democracies, besides the US, are members of it, even if not on an equal footing.

So let us be clear what this "world community" is. It is not quite literally a white man's club, because Japan is a member, and will have an increasingly important part to play. But it is a club of rich, powerful, successful countries. The citizens of those countries have a conscience, just as their forebears did 100 years ago. Their compassion and moral indignation can be aroused by the news media, as their forebears were aroused to similar emotions by the reports of returning missionaries. Like those forebears, they will make contributions to charity, and will feel from time to time that "something should be done". But for that "something" to be anything as expensive and dangerous as military intervention it will surely be necessary for other emotions, such as fear and greed, to be aroused too.

If I say that Mr Manbhe is advocating a return to imperialism, he will probably feel deeply hurt and insulted. But imperialism had its noble side. It saved lives as well as taking them, and there were plenty of people on the receiving end. Mr Manbhe's forebears, perhaps — who were unashamedly grateful for its benefits. The overall balance of profit and loss remains controversial, for the coloniser as well as the colonised. Many white men shouldered the "white man's burden" in a spirit of genuine idealism. Whole societies, however, would not have done so without the expectation of profit, and above all, without the fear that if they did not they would lose out to rival powers. Today those conditions seem unlikely to be fulfilled. And, for better or worse, today's "white man" hardly look fit enough to take up any excessive or unnecessary burdens.

Many white men shouldered the 'white man's burden' in a spirit of genuine idealism. Whole societies, however, would not have done so without the expectation of profit and without the fear that if they did not they would lose out to rivals

LETTERS

Gibraltar eager to open up airport

From Mr J.J. Bossano.
Sir, I refer to your interview with Mr Felipe Gonzalez, Spain's prime minister ("A better balance of rich and poor", May 9). He is quoted as saying: "Without much effort of imagination we could begin joint use of the airport at Gibraltar... I do not see any reason why an agreement that has been signed between Great Britain and Spain has not been implemented... We can agree to use Heathrow or Barajas jointly but not the airport at Gibraltar."

Let me assure Mr Gonzalez that there is absolutely no impediment on the part of my government to using jointly the Gibraltar airport immedi-

ately on the same terms as would apply in Heathrow or Barajas. I cannot possibly believe that Mr Gonzalez would choose deliberately to mislead British and international public opinion with his reply. I must therefore assume that he has not been made aware of what our objections to the 1987 airport deal are.

Under the terms of the 1983 EC directive, the Gibraltar airport is a British regional airport and is so recognised under Community law. Spain's position after its accession to the Community in 1986 has been to veto the application of new EC air liberalisation measures to Gibraltar

unless it ceased to be classified as a British airport. What Spain is seeking under the 1987 agreement is the right to determine who else from third countries can fly to Gibraltar as if it were a Spanish and not a British airport.

I can hardly imagine that Mr Gonzalez believes that this is what happens at Heathrow or Barajas. Gibraltar would welcome the use of its airport by other Community airlines, including Spanish carriers, exactly on the same terms as other British regional airports. J.J. Bossano, chief minister, Government of Gibraltar, 6 Convent Place, Gibraltar

A scenario for Emu decision

From Mr Stanley Crossick.
Sir, The British opponents of the Economic and Monetary Union understanding reached in Luxembourg over the weekend should at least not have inhibited the victorious allies from rendering moral and material support to those Iraqis who, in the immediate aftermath of a disastrous and unjustifiable war, tried bravely to overthrow the government which had started it.

The legal case for carving out an arbitrarily delimited enclave from its territory looks a good deal weaker, but there was a strong moral argument that the allies, having failed to assist the Kurds in those special circumstances, had incurred a special responsibility towards them. I would argue that this responsibility is

the only sensible one. All 12 member states will sign the Emu treaty, but the UK (and other member states) can decide later whether or not to join. This way, the UK will have an important say in the timetable and preconditions for economic and monetary union.

It is also clear that the City of London, when the time comes, will vote with its feet. The British opponents are therefore beginning to appreciate that their position is not sustainable. John Major is proving that which has been long understood in Brussels: Yes, but... "is a much more effective negotiating tactic than "No". Stanley Crossick, Belmont, 43 Boulevard Charlemagne, Brussels

Value judgment

From Mr Raymond Painter.
Sir, Vanessa Houlders's article, "Valuation values come in for scrutiny" (May 10), was timely. Any professional valuing property in a falling market should be circumspect in the advice given to a client. It could well be that today's value will not be the same as yesterday's and the future impossible to judge. Property owners and valuers would be advised to bear this in mind. Raymond Painter, president, Incorporated Society of Valuers and Auctioneers, 3 Cadogan Gate, SW1

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Takeover Panel defended over 'procedural audit'

From Mr David Calcutt.
Sir, I read, with some dismay, the Business Law article by Professor Jeffrey Jowell ("Self-regulation under threat", May 10).

Rather than comment on each of the points made in the article, I would wish to concentrate, for present purposes, on Prof Jowell's remarks in relation to what he terms a "procedural audit" of the Takeover Panel.

First, Prof Jowell attacks the composition of the panel and suggests that it is apparently biased towards those with a direct "financial interest" in encouraging takeovers.

There is no such bias. While it is true that the panel draws its members from leading financial and business institutions, the governor of the Bank of England appoints the chairman and deputy chairman, all of whom are independent, and two lay members, both of whom are industrialists.

It is difficult to see how they, or indeed some of the other organisations represented on the panel, could be said to have any "financial interest" in creating more takeover activity. Second, Prof Jowell refers to the panel's consultative procedures when rules are to be amended, and suggests that they are "arbitrary". Again, this is not so. Proposed amendments of the code are submitted to all members of the panel for their consideration, comment, and ultimate approval or rejection. When necessary, there is full discussion of any

proposed amendment at a meeting of the panel.

Third, Prof Jowell contends that "inter-partes" hearings in a contested matter are the exception rather than the rule. This seems to confuse the practice of the panel executive with that of the panel itself.

It is true that the executive (which regulates a bid on a day-to-day basis) does not normally find it helpful in carrying out its task to hear arguments from both sides at the same time. But should a party feel aggrieved by the want of direct confrontation, there is always a right of appeal to the panel, and the panel hears both parties face-to-face.

Finally, Prof Jowell suggests that legal representation at a hearing before the panel should be granted "as of right". In disciplinary proceedings the

panel does not discourage legal representation, if a party should wish it. In appeals on questions of interpretation, during the course of a bid, the panel is sensitive to the risk of those proceedings becoming legalistic and prolix. It is the purpose, not the letter, of the code which rules, and speed of decision is crucial.

In my experience parties at hearings have apparently been content for their financial adviser (who will have been closely involved throughout the bid) to present their case, and I have not heard it suggested, at a hearing, that a party has been at a disadvantage because of a want of legal representation. David Calcutt, chairman, Takeover Panel, Lamb Building, Temple, EC1

Pension equalisation impossible

From Mr Brian MacMahon.

Sir, Chairmen of the National Association of Pension Funds are not often accused of rhetoric (Letters, April 30), still less of not understanding the legal basis for pensions and allying themselves with poll-tax protesters. Permit me to make just two points. Mr Bryan Davies says many schemes have equalised already, and cites our annual survey. One employer which equalised many years ago has asked the bill it would have to meet if full retrospective is imposed. It amounts to £800m. I am accused of rhetoric

when I say full retrospective in the Barber case is impractical. If Mr Davies reflects on the difficulties of tracing company pay and employment records over the last 40 years to determine the rights of pensioners, many of whom have surrendered pension for other benefits, he will see that impractical is one word; impossible might be another. Delegates at the NAPP annual conference last month certainly thought so. Brian MacMahon, National Association of Pension Funds, 12-18 Grosvenor Square, SW1

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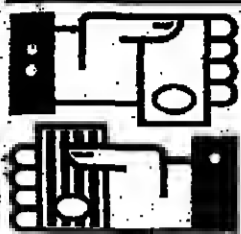
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MANAGEMENT CONSULTANCY

SECTION III

Wednesday May 15 1991



After 10 years of uninterrupted growth, the industry has hit the buffers. With the economic outlook

clouded, management consultants face a downturn. Simon Holberton looks at Europe's competitive environment and the perceived need for expansion in leaner times

Serious about Europe

FOR the first time in a decade, Europe's management consultants face the uncomfortable prospect of having to bend their own advice.

Their skills as advisers on business strategy, technology, operations and human resources are now needed for their own businesses.

The double digit real rates of growth in European consulting that were the hallmark of the golden years of the late 80s are today seen as a high water mark for the profession.

As the industry moves into the 90s, the hawkers of remedies to other people's difficulties have now to confront the conflicting realities of recession and, paradoxically, the need to expand internationally.

Predictions vary, but industry executives expect a period of consolidation, at the very least, while some pessimists wonder if a more profound shakeout is not looming on the horizon. Unsurprisingly for consultants, there is no broad-based consensus on the future for the profession.

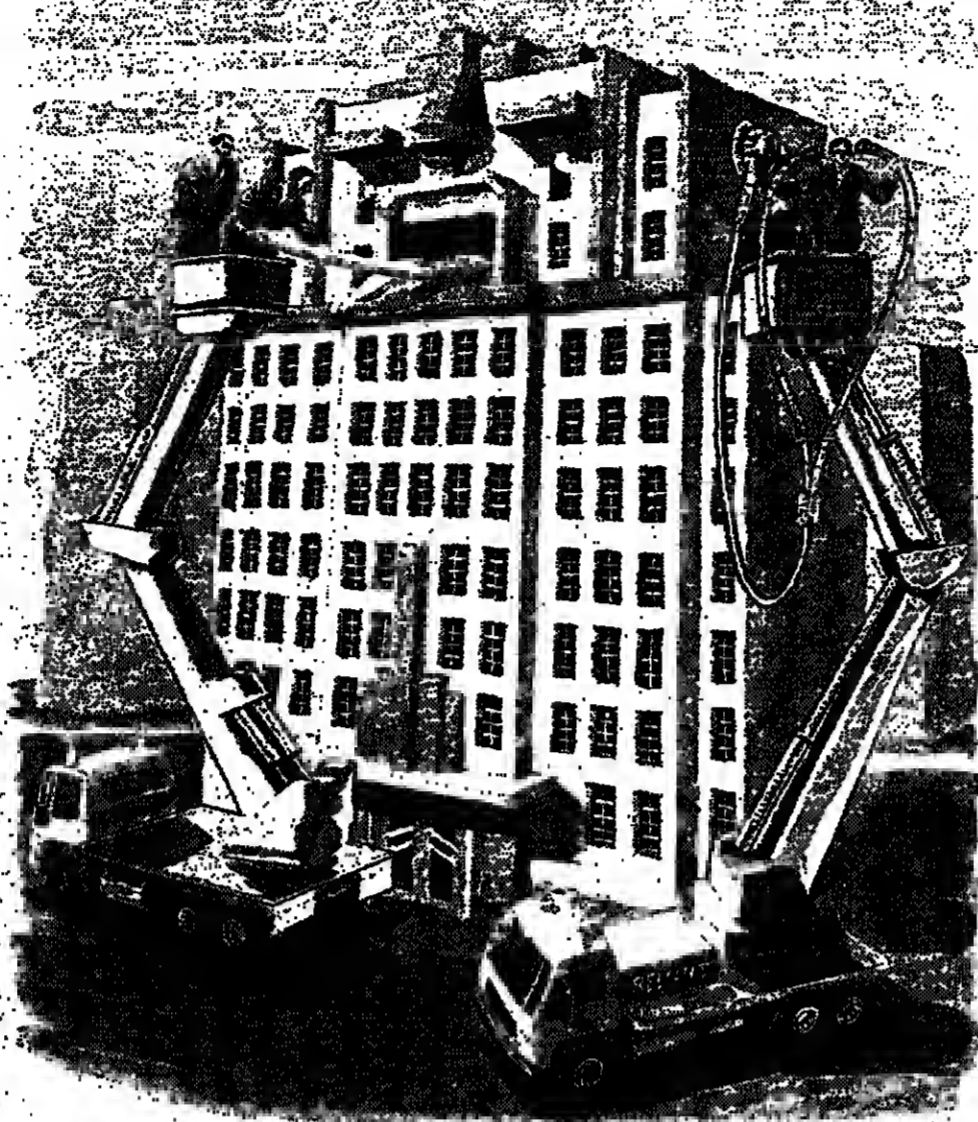
One view, propounded by executives with large firms, sees only a future for firms which can get bigger, or those which can, there is a need for themselves as specialist suppliers.

The mid-size independents, such as F-E International, both contest this. It claims, equally forcefully, that it can combine the virtues of a multinational practice - through its Euro-alliances - while remaining an essentially national firm.

Yet one thing is clear. Recession - an uneven force in Europe, to be sure - has meant home markets are more fiercely contested than before, and that the virtually uninterrupted growth of job opportunities in consulting has stalled.

Along with this challenge, the larger firms also have to cope with the growing number of specialised, niche consultancies that grew up in the late 80s, firms which, because of their size and low overheads, are becoming increasingly competitive suppliers of essentially contracted-out services to companies.

A recent survey of the UK consultancy market by Customer Satisfaction Surveys disclosed a greater preparedness by companies to multi-source consulting services. The 256 companies surveyed had used the services of 326 different consultancy firms for 575 projects. By far the great majority of these firms were small independent consultancies.



The smaller firm is arguably easier to deal with. "Clients prefer the personalised service; they know what they are getting, and quality is guaranteed," says Dori Dana Haeri, owner of specialist consultancy DDH in London, who works throughout Europe.

The difficulties in home markets, in itself, is a strong enough force propelling the large international practices, especially but not exclusively those based in the UK, to look for opportunities elsewhere in Europe. But an equally impor-

tant force behind the internationalisation of consulting is the need to offer multi-national companies a seamless service across national boundaries.

"You've got to be serious about Europe," says Colin Sharman, head of KPMG Management Consulting in Europe. "Growth without moving into Europe is going to be hard. More and more of the bigger accounts are pan-European themselves and want common standards of delivery across the region."

Although figures on the

value of the "consultancy" market in Europe are notoriously difficult to compile, sensitive to definition, and, at best, simply well-informed estimates, they still suggest there is an awful lot to play for.

Earlier this year, the German Management Consultants Association (BDU) produced turnover figures for the value of consultancy (in 1989) throughout the European Community and the European Free Trade Association. The BDU estimated that greater Europe's 16,802 management

consultancies (employing a staggering 122,140 consultants) earned gross revenues of more than Ec15.75bn (£11bn).

Andersen Consulting, possibly reflecting its more specialist information technology orientation, thinks the market is nearly twice as large. It believes the market in the EC-EFTA (and selected east European countries) will amount to \$35bn (£20bn) in 1991. The biggest segment of this market (some \$18.7bn) is accounted for by what Andersen describes as "education and training, software development and maintenance", while general management consultancy is estimated to be worth \$5.4bn.

Whatever the size of the market may be, with the advent of the EC's single market for goods and services just 19 months away, the desire to scale up to exploit the possibilities has led to a number of players making acquisitions and forging alliances.

For many, getting bigger, and crossing frontiers is what the game is all about, although the recession has caused casualties. Bain, the troubled US strategy consultant, signalled a change in its approach to consulting and development last year with the announcement of its intention to purchase an interest in Indeco, one of Sweden's leading firms, only to see the deal fall through and Indeco file for protection from its creditors under Sweden's bankruptcy laws.

Others have been more successful. P.A. Consulting, Britain's largest independent general consultancy, has made acquisitions on the Continent, as well as in the US. Even relatively small boutiques, such as Cobs Group, a UK strategy consultant, has forged an alliance across the Channel, with MID, France's largest independent strategy house. Bossard, a large independent French consulting firm, has expanded into Sweden and Germany, and is looking to acquire a consultancy in Britain.

Sogeti SA is fast building itself into one of Europe's, and the world's, largest groups. Building on its base in information technology, through its quoted Cap Gemini Sogeti, the largest independent IT consultancy, it last year acquired the US consultancy United Research. Earlier this year it

added to this by acquiring the MAC Group, a trans-Atlantic strategy consultancy - which itself had just merged with CMI, a predominately European strategy consultant.

Sogeti plans to operate United Research, MAC and Gamma International, a French IT consultant, it acquired a little over a year ago, separately from Cap Gemini. "Management consulting," said James Kelly, joint-managing of MAC earlier this year, "is evolving to require services that integrate strategy, the management of change, and information technology."

MAC's sale to Sogeti is also probably a pointer to the secular change some see occurring in strategy consulting in general. For the strategy consultants to survive in a business world, looking for ways to implement complex and multidisciplinary change programmes, they have little choice but to either add capacity through acquisition or join forces with a larger enterprise. Acquisitions by cash-rich and powerful firms are likely to remain a feature of consulting as 1992 draws near. For the rest, as Paul Thornton, group marketing director at PA, says, firms are more likely to try alliances in their attempt to offer clients expertise in other countries. Such alliances "may offer enduring relationships in their own right, or trial conditions for a more formal union when the economic climate improves."

"Consulting will continue to grow as long as people see the need to change," says Keith Burgess, head of Andersen's UK operation. "What would kill it would be the death of companies' confidence in their ability to change." Despite the current problems facing consultants, there seems to be no sign of that happening.

As is underlined by a survey of European chief executives produced by the Management Consultants Association of the UK for the annual meeting of the Fédération Européenne des Associations Conseils en Organisations (FEACO) in London this week, companies continue to stress the continuing importance of 1992, globalisation in general, and the need to compete at the highest level. And that means work for consultants.

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MANAGEMENT CONSULTANCY 2



A focus on the EC: David Miller takes over the presidency of FEACO this month

PROFILE: David Miller

An accountant, a physicist and a consultant

WHEN David Miller takes over the presidency of the European Federation of Management Consulting Associations this month, he will find himself in the unusual position of being more familiar with the new surroundings than are his staff.

As head of the Brussels office of Coopers & Lybrand for the past two years, he has only to walk down the street from his office to reach the building where he is expected to spend half a day each week over the next 12 months.

The Fédération Européenne des Associations de Conseils en Organisation (FEACO) has a strong French presence. It moved to Brussels less than five months ago, away from the headquarters in Paris where it had been based since it was founded.

The new location is not accidental. It lies in with Mr Miller's top priority during his year in office: to improve relationships between the profession and the European Community. "I feel we should be taking a more proactive role," he says.

Ironically, Mr Miller assumes his role just as his firm, Coopers & Lybrand, has sent him back to London. After two years in Brussels, he was appointed head of the environmental services practice in January.

He originally joined Coopers & Lybrand in 1988 from Arthur Andersen, and returned between spells as a finance controller in the private sector, and then as a seconded to central government in the mid 70s.

He helped establish the firm's government services division a decade ago, specialising in the water industry, before rising to be managing director of the consultancy section of the partnership for three years in the mid-80s, and then spending four years in the international development arm.

FEACO was established in 1960 by the national management consultancy associations of France, Germany, the Netherlands, Sweden, Switzerland and the UK.

It now has some 26,000 affiliated consultancies in 18 countries, including members in Bulgaria, Czechoslovakia and Hungary.

All the member firms are represented by the presidents of their national associations. That includes Mr Miller, who recently finished his term with the UK's Management Consulting Association (MCA). His new position reflects the unofficial rotation of the presidency between the different countries represented.

National associations help with particular projects, like the MCA's production of this year's international directory of members.

They also contribute to FEACO's budget, which is around £100,000, including expenses and the salaries of a

part-time director general and administrative support.

The national associations provide the base for lobbying their own countries' ministries while FEACO does the same on the international stage. "The core focal point is the development of the consulting profession and its relationship with the Community," says Mr Miller.

A key campaign he plans this year is to change EC procedure on the use of consultants, by introducing pre-qualification bids. "We're not trying to stop competition, but at the moment any tender is com-

pletely open," he says. He cites a recent example of an EC tender for technical advice to one of the directorates. Some 150 consultants applied. "It's not worth spending perhaps £25,000 on a proposal with odds like that."

In its place, he suggests the system used by other international organisations, with full details of the selection criteria, some indication of how many consultants have applied, and sealed bids.

Mr Miller's second priority in office will be to reflect the needs of the consultancies which are no longer based in a single country, but operate across Europe. "I want to provide training on how to run a cross-border practice, build

teams, develop pricing strategies and cope with the different languages," he says. Drawing on an initiative launched by MCA, he also plans to launch a series of private lunches with senior Community figures and members of the consulting firms to help lift the profile of the profession.

Other issues likely to come under discussion during the year include the possibility of opening FEACO to direct membership of cross-border consultancy firms, in the same way as its American counterpart does, rather than simply through national associations.

Critics argue that management consulting still has a poor reputation, and nothing like the status of other professions such as accounting or law. "There's an accountant and a physicist as well as a consultant," Mr Miller responds. "We haven't been around for very long," he adds more seriously. "Twenty years ago, people looked at the other way. We were a very fast growing industry with a reputation for being slightly sharp. I do believe that image has now shifted, with a recognition of the quality of work we do."

Elsewhere in Europe, he adds, there are problems, and sees the need to distinguish consultants clearly from the many individual lobbyists in Brussels, some of whom charge contingency fees.

However, he argues that Britain has overcome this poor status, and taken a lead by establishing ethical guidelines and professional standards which now form the basis for an international standard, ISO 9000. "The UK can hold its head high," he says.

Andrew Jack

Michael Morgan analyses the Institute's new survey

Mr M. Consultant: a profile of the typical professional

HE is a 30 to 45-year-old graduate, very possibly with a second degree, whose career is taking him increasingly into continental Europe. One in seven of his colleagues is a woman - still a minority but a substantial increase on the number 10 years ago.

This picture of a typical British management consultant emerges from the first wide survey of more than 3,300 respondents, carried out for the Institute of Management Consultants.

It is a profession that is increasingly crossing national boundaries, with half the sample finding themselves at times working in continental Europe and more than 20 per cent sometimes in North America.

local firms which deal with the more difficult language issues.

Nonetheless, no fewer than 86 per cent were graduates and more than 30 had a second degree. Their degree courses formed a broad spectrum.

Type of degree	%
Engineering	21
Science	21
Mathematics	5
Arts	10
Economics	9
Social science	7
Law	2
Business studies/ accountancy	13
Languages	3
Other	8

Respondents had embarked upon their work in management consultancy very much as a second career. Not surprisingly, 87 per cent had previously held a management position: 28 per cent had between two and five years' experience, and 26 per cent between five and 12 years.

In the salary stakes last year, around a quarter earned up to £30,000 and a half between £30,000 and £50,000.

They are likely to be spending more time abroad as a result of the recession in the UK, a trend first seen towards the end of the 70s. Also, continental Europe is a growing market where, apart from Germany, the profession is not as well established as in Britain.

British consultancies are already at work in Spain, Portugal and Italy, while clients are also emerging in Scandinavia and the Netherlands. Consultants are also being called on to help clients experience to bear in France, mostly from British companies already working there.

Consultants are also turning their attention to eastern Europe. Mike Jeans, IMC president and senior partner in KPMG, explains: "There is quite a lot of privatisation work going on there, and the UK probably has the lead in understanding privatisation issues. There is also a fair amount of work in setting up joint ventures. Most of the large practices have now set up offices in eastern Europe, so we can also offer western European companies knowledge of the local market."

For all the foreign work, only 21 per cent speak a second language, with French well ahead at 15 per cent followed by German with 5 per cent.

Previous business experience was varied, with 41 per cent having experience in the manufacturing and engineering sectors, almost 24 per cent in banking and financial services.

Previous experience in industry sectors

Industry sectors	%
Manufacturing, engineering	41.1
Banking, financial services	23.3
High technology	20.1
Oil, pharmaceuticals	18.3
Government (national, local)	17.1
Professional/scientific services	14.6
Food, drink	13.8
Distribution, transport	12.7
Retailing	12.4
Construction, civil engineering	10.1
Gas, electricity, water	7.5
Leisure, tourism	6.4

Previous business experience accumulated by function proved rather different, with 38 per cent having experience of

Previous business experience by function

Function	%
IT/computer applications	38
General management (multi-function)	37
Financial	23
Sales, marketing	22
Manufacturing/operations	22
Strategic planning	18
Engineering	17
Human resources	15
Distribution/transport	7
Executive recruitment	3
Other	10

The difficulties of the merger have been compounded latterly by the savagery of the recession, but Mr Williams is confident that the firm now has what it did not have when the merger was completed - a consultancy operation fit for the 90s. He says that the firm's IT business, which accounts for 35 per cent of the total, has now bottomed out.

Neville Chesdale at Price Waterhouse is cautiously optimistic. Up to 60 per cent of the firm's total business is in IT. "Clients are continuing with the development of critical projects but cutting the peripheral areas. The big companies can take a long-term view of the situation," he says.

"I'd have signed in blood for these figures six months ago," says Bob Stimm, looking back

information technology or computer applications, and 37 per cent coming from a general management background. The majority worked for large practices of at least 60 consultants. Information technology is clearly in the lead among services offered by consultancies.

Main consultancy specialism	%
IT/computer applications	37
Financial	16
Human resources	11
Manufacturing/operations	7
Sales, marketing	6
Strategic planning	5
Engineering	5
Distribution/transport	2
Executive recruitment	2
General management (multi-function)	2
Other	2
No response	7

Their clients ranged from businesses with a turnover of less than £1m to those of \$500m and more.

The consultants were sceptical that clients were preparing adequately for the opening of the European market in 1992, although clients' approach to investment in technology, expanding or investment and diversifying were viewed more positively.

Mr Jeans says the ability of British business to enter into

lancy training a year over the last three years, but much less time was spent gaining knowledge of management functions and industry sectors.

Among the management functions in which the consultants sought more training are strategic planning and general management.

This industry sectors in which they wanted further training were headed by banking and high technology.

Industry sectors in which greater knowledge is required	%
Banking, financial services	51
Oil, chemicals, pharmaceuticals	18
Construction, civil engineering	9
Gas, electricity, water	15
High technology	38
Manufacturing, engineering	25
Food, drink	10
Retailing	20
Distribution, transport	20
Leisure, tourism	26
Professional/scientific services	6
Government (national, local)	19
Other	4

Training is currently undertaken by the large practices, the institute and to some extent by business schools.

The institute courses include an introduction to consulting, marketing, presentation, selling and report writing. Mr Jeans believes it has to do more on fact-finding, inter-

Clients are generally (%)

	Good	OK	Poor	Total
Knowledgeable re appropriate technologies	22	58	20	937
Investing in technology	31	55	14	929
Well versed in appropriate techniques	9	50	41	933
Using grant-aided consultancy	13	27	60	758
Expanding/investing	25	63	9	861
Diversifying	15	52	33	768
Preparing for 1992	9	37	54	836

the single market does not seem to be as well advanced as some European counterparts, though he believes consultants are generally ready. In some cases, even they may not realise the full impact of 1992. "A client as small as a corner shop to a multinational, in theory, need to stock a broader range of brands and may need to abide by EC regulations on shop opening hours and minimum pay levels."

"If you believe in the single market, it will eventually become all-pervasive, to the extent that it is the domestic market. Instead of classifying work in France, Germany and Luxembourg as overseas work, the question will simply be how far it is from the home office."

Meanwhile, the issue of training and professional development is clearly exercising the consultants. More than a third received an average of four to eight days of consul-

Management functions in which more knowledge is required

Function	%
General management	58
Strategic planning	47
Financial	41
Sales, marketing	38
Engineering	16
Manufacturing/operations	5
Distribution/transport	11
IT/computer applications	30
Human resources	24
Executive recruitment	5
Other	1

"If consultants say that our major asset is our people, then we had better worry about two things: the quality of the people we recruit, and maintaining or even improving their quality," says Mr Jeans. The latter is done through training, and professional development. People themselves demand more training today, whatever job they are in. I think that those pressures will all cause us to spend a lot more time on training in the future."

Institute of Management Consultants 1990 National Profile of Individual Management Consultants, £25 from 071 342 2140.

change management programmes and IT efficiency studies."

Mr Burgess attributes the enviable growth achieved by Andersen last year to the firm's special structure as perhaps the most tightly managed international service sector firm in the world, and its careful positioning in the IT sector.

Mr Burgess says he does not expect the firm to remain entirely immune from the effects of the UK recession. The five other big firms, which have always regarded Andersen with a mixture of admiration and horror, will watch with fascination to see how long Andersen's apparent immunity will last.

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David Waller on the accountancy field

The worst may be over

In February this year reported record 40 per cent growth in its UK fees to £120m for 1990.

The other five may have abandoned all hope of announcing record fee income, but they are not utterly despondent. Coopers used to be famous for the rate at which consultants left to go elsewhere: at one point not so long ago staff turnover in the department was as high as 30 per cent. One effect of the recession has been to make it less easy for people to move and Mr Coster speaks ruefully of a turnover rate now of less than 10 per cent.

With fee income under pressure, an unduly stable workforce threatens to put margins under pressure and Coopers has responded to this by "counselling out" 60 consultants. Although undoubtedly traumatic for these individuals and for the accountancy profession in general they are not significant in relation to total staffing of 1,500.

Mr Coster says fees for the year to the end of April will be close to the budgeted figure of £150m, up from £126m in the previous year. Staff utilisation stands at 87 per cent. Growth sectors include the private

work, utilities, and Eastern Europe. Value-for-money work takes precedence.

At Ernst & Young, Mr Williams, himself a former senior consultant at Coopers, has faced the hard task of building a large scale consultancy business out of the two weak practices inherited from Ernst & Whinney and Arthur Young, the two firms which merged to form Ernst & Young in 1989.

The difficulties of the merger have been compounded latterly by the savagery of the recession, but Mr Williams is confident that the firm now has what it did not have when the merger was completed - a consultancy operation fit for the 90s. He says that the firm's IT business, which accounts for 35 per cent of the total, has now bottomed out.

Neville Chesdale at Price Waterhouse is cautiously optimistic. Up to 60 per cent of the firm's total business is in IT. "Clients are continuing with the development of critical projects but cutting the peripheral areas. The big companies can take a long-term view of the situation," he says.

"I'd have signed in blood for these figures six months ago," says Bob Stimm, looking back

on a difficult initiation period as head of the division. He is pleased to have achieved a 12 1/2 per cent increase in chargeable hours with nil growth in staff.

"The market had been very hard in certain areas," he says. "Everything has been postponed and we have really suffered in some areas. But there has been a huge new wave in our career counselling services, in cost reduction work,

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MANAGEMENT CONSULTANCY 3

Why do companies turn to consultants? asks Alan Cane

It's a buyer's market in information technology

THE LATE 80s were good years for information technology (IT) consultants in the UK. The early 90s carry nothing like the same promise. Financial results for P.E. International, the substantial management and computer consultants based in Egham, Surrey, are typical, and set the scene for the foreseeable future: between 1986 and 1989, fees and profits before tax were growing at well in excess of 20 per cent a year. In 1990, fees were £53.5m, just over 10 per cent more than the £48.3m recorded the previous year. Pre-tax profits fell from £5.6m to £4.2m.

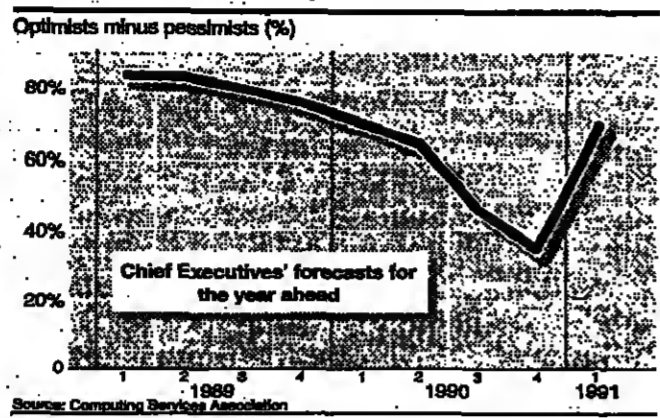
Mr Hugh Lang, P.E. chairman, commented: "In November we carried out a detailed review of our 1991 prospects, and concluded that although we expected to be able to continue to achieve some growth, this would not be at the rates planned and achieved in recent years. Restructuring measures to bring costs in line with likely revenues cost the company more than £500,000 in exceptional charges. A principal cause of the decline in the market, now affecting virtually every IT consultancy, is the recession in the UK.

The computing services business is a sensitive indicator of market conditions; postponement or cancellation of spending plans affected those consultancies selling computer hardware and consultancy services - first.

Now it is affecting the more traditional firms which offer strategic reviews or systems implementation.

One of the first effects has been pressure on fees. When the sector was growing at 30 per cent and more annually in the late 80s, fees were high. A top IT consultant could expect £1000 a day; an exceptional one, rather more.

Typically, the rate per day was three times salary. A consultant earning £52,000 a year would cost the customer £500 a day. Today, according to Dr Douglas Eyskens, director-general of the Computing Services Association (CSA), trade body for computing services companies, it has become a buyers' market and there is closer examination of fee structures.



and heavy discounting. Computer services companies, nevertheless, are an optimistic lot. The accompanying graph, prepared by the UK Computing Services Association, trade body for the leading computing services companies, shows that most chief executives believe they can already see the light at the end of the tunnel.

There are several categories of IT consultancies, and as the computer business becomes tougher and margins shrink new kinds of competitors are

New kinds of competitors are beginning to tangle with the more traditional consultancies, creating a complex picture

beginning to tangle with the more traditional consultancies, creating a complex picture.

First, there are the IT consultancies which grew out of the large accounting firms. Accustomed to computing as an essential part of their auditing procedures, they found it a natural move to specifying and implementing real systems.

Anderson Consulting, part of the worldwide Arthur Andersen group, is generally acknowledged as a leader in systems implementation. It has developed its own suite of computer-aided engineering (Case) tools to help in the rapid and efficient development of client software.

Second, there are the large computing services companies such as Haskins, BBS or Soma Group which offer consultancy as part of their overall package

of offerings, which could include bespoke and packaged software, facilities maintenance and systems integration.

The line between companies such as these and smaller, specialised consultancies is blurred. A typical smaller consultancy is EISL, based in London, which specialises in Executive Information Systems - systems which chew up a company's corporate data and spit out the most useful information in a form intelligible to senior executives.

Then there are consultancies specialising only in IT management such as Butler Cox in the UK, or the Gartner Group in the US and Europe.

Newcomers to the scene include the hardware manufacturers, anxious to find new ways of raising revenues as margins on their traditional products shrink. The UK subsidiary International Business Machines, for example, the world's largest computer manufacturer, is targeting consultancy as part of a drive into computing services in Britain. The company has only 400 people in computing services this year but hope to increase that to 2,000 by the end of 1993, chiefly by the redeployment of existing specialists.

ICI, the UK computer manufacturer owned by Fujitsu of Japan, has set up its own con-

sultancy called IT Partners, headed by Mr Garry Hunt, formerly of the leading consultancy Logica.

Received wisdom in the industry is that through the 90s the number of IT consultancies will shrink as a process of consolidation generates a few large organisations with both the depth of skills and financial standing to tackle very large projects.

Many companies are paying lip service to the idea of becoming systems integrators - putting together the most appropriate hardware and software from a variety of suppliers - but only a few, not necessarily the largest, have the necessary internal disciplines to compete successfully in the fixed price arena.

The best known example is SD-Scicon, a leading UK computing services company, which suffered horrendous overruns on a series of fixed price, systems integration projects, leading to losses in 1990 of about £20m.

Why do companies turn to consultancies? Partly because of the complexity of modern IT. Most companies are convinced that they are failing to get the best out of their very extensive investments in computing systems and are anxious for a guide to bow their performance compares with their competitors.

Orr-Pedder, for example, a company based in London and Brussels, publishes a study which enables companies in particular industry sectors to compare their detailed IT costs with those of their competitors - and, more importantly perhaps, examine the areas where competitors are investing and they are not.

Then there is the problem of relating IT planning and expenditure to business policy. Often there is a communication gap between IT management and business management and many companies feel there is advantage in seeking advice from outside.

It remains to be seen whether IT consultancy will go down the road of large one-stop shops. While the technology continues to increase in complexity, there will always be scope for the small, specialised corner store.

Management consultancy market in the EC and EFTA member states

	Total turnover 1989 (ECU million)	Consultancies (number)	Consultants (number)
Germany	4,300	5,900	35,400
UK	3,840	1,529	21,400
Switzerland	1,767	2,200	11,490
France	1,310	2,600	9,300
Sweden	1,000	900	9,500
Spain	700	245	18,000
Italy	600	300	?
Austria	597	1,100	6,100
Norway	374	520	3,000
Netherlands	270	200	2,200
Belgium/Lux.	249	280	1,650
Denmark	180	367	1,400
Portugal	124	170	1,600
Finland	112	180	920
Ireland	112	250	580
Greece	30	80	500
Source: BDU			

How long is a piece of string? That has been the oft-repeated reply to questions about the size and scale of management consulting in Europe. Well, in January, the German Management Consultants Association (BDU) produced an estimate of the market. The British are often heard saying that their market is the most "sophisticated" for consultancy in Europe. Maybe so, but it is not the

biggest. The BDU claims its own market takes that accolade in terms not only of turnover, but of consultancies and consultants as well. However, in terms of income per head, the British are way ahead of their continental rivals. UK consultants earned, on average, Ecu179,439 in revenues in 1989, compared with Ecu153,652 for their nearest rivals in Switzerland and

Ecu121,468 in Germany. Does this reflect the scale of UK operations - and the greater ability to defray costs? Possibly. There were 14 consultants to each firm in UK in 1989, compared with 10 in Sweden, 6 in Germany, 5 in Switzerland and 3 in France - figures which underline the greater concentration of consultants in large firms in Britain than on the Continent.

Andrew Jack takes a peep behind the scenes

Strategy of the strategists

NEITHER "strategy" nor "boutique" are popular words among management consultants. Recent economic pressures have shaken many firms, driving them to consolidate, expand and broaden the services they offer.

The evidence is not easy to find. Few figures are available in this most coy sector of a secretive industry, in turn perhaps the most closeted of all the professions. Whence large billings may have prompted their shyness in the past, recent disappointments fuel it today.

In one of the most public indications of recent difficulties, Bain sacked more than 200 of its staff world-wide late last October or 17 per cent of the workforce. "One thing we can say is that we were the first," says Robin Buchanan, managing partner of the London office. He expects other firms to follow suit.

A lot of companies are waiting, he says. The Gulf war and the recession caused many to hold back. "Great change drives our business. When people stop, wait and see, it's not a great time," says Mr Buchanan. John Wormald, marketing and communications director, admits business has been "softer" since the end of 1990. "We have held back on recruitment and thinned the ranks of our poorer performers in London and elsewhere," he says, while stressing that world-wide revenues were up 10 per cent to £500m last year.

Richard Carson, managing director of Monitor, which has 300 consultants around the world, says companies have become more sophisticated in selecting consultants. They are seeking a better return on investment and do not always return automatically to the firm they have previously used. During economic difficulties, many are deferring expenditure, he says - adding that Monitor is only slowing down because it does not want to continue growing too rapidly.

One key tactic for retaining clients is the growing switch from simply strategic analysis towards implementation of a consultant's recommendations. "A lot of managers view strategy as blue sky. That's an indictment of a management consultant," says Mr Carson. His company tries to bring about change by working with clients without doing their job. "If I hear the client say anything about 'the Monitor strategy', we've failed," he says.

Bain has always been proud of its stress on implementation. But even the Boston consulting group (BCG), once the arch proponent of strategic analysis, has now shifted "downstream".

"Our work is broader than strategy. We help determine directions and implement change for clients," says Barry Jones, managing partner.

"In the 70s and early 80s, we were overwhelmingly focused on strategy," he says. "In the mid-80s, there was a sea change in how we work with clients. Strategy changed from being the key product to one of a number of services."

The company has moved from "presented logic", where the consultants do the analysis, which is presented to the clients, to "discovered logic", where the client team does a lot of the work while BCG helps to lead the effort.

That has meant staff changes, too. Recruitment policies have been given a slight tweaking, says Mr Jones. "We have always taken the bright-

est students. Now we place equal emphasis on interpersonal skills."

Booz Allen's Mr Wormald agrees. "It's increasingly difficult to sell pure strategy," he says. "We now place more emphasis on recruiting staff with prior experience." They also need the characteristic of wanting to help. "There's no point having hot analysts with obnoxious personalities who can't bring the team along with them."

'There's no point having hot analysts with obnoxious personalities'

The use of the word "boutique" is equally anomalous. Many of the small consulting firms have either been subsumed into larger companies, or have merged with firms overseas. BCG, for instance, joined forces with PCEK, an Australian company, last year. Ciba, which was formed five years ago, doubled its staff to nearly 100 when it merged with MID, a French firm, in 1990. "We wanted a genuinely European consultancy," says Graham Gould, managing partner. "They were having trouble breaking into the USA and we were having difficulties in Europe."

When Bain announced its redundancies last October, it also radically restructured its board, more than doubling the size and giving seats to many foreign nationals. "There was a very strong realisation that top management needed to reflect our client and employee base," says Mr Buchanan.

The company also formed a joint venture in July, 1990, with Link, founded by Abel Aganbeyan, the so-called "architect of perestroika". It will advise companies interested in investing in the USSR.

All of these international links are helping to create

what Richard Parson calls "a seamless global network" of advice which a simple boutique based in one country could not easily provide to multi-national clients.

"It's a network of boutiques to provide this service," says Mr Wormald. He sees a process of consolidation among consultants. "But the business is still driven by personalities," so you will never get a monopolistic supplier.

At the same time, consultants are reorganising their internal structures to reflect a stress on sectoral expertise wherever it occurs. "We are moving from geographical to sectoral and functional practices spanning the globe," says Mr Wormald.

In the 90s, most of the consultants see marked shifts in the type of assistance they need to provide. BCG's Mr Jones says there will be an increased focus on white collar sections of companies, "most of which are as inefficient as the worst nightmare factories".

Mr Carson concurs. "More and more companies are making decisions, not products, yet

they are applying blue collar methods to manage white collar workers." Monitor is devising "activity-based costing" techniques as an alternative. It is also trying to develop "strategic architecture" to support change within corporations. "Too many companies try to reorganise their way out of problems," he says.

Coba's Mr Gould expects tougher economic times over the coming decade. "We're not going to see the double-digit '90s growth in the '90s," he says. "It's going to be harder to win new business." As a result, he suggests consultants may have to market their services much more aggressively. But that raises a lot of issues. "Marketing has traditionally been very low key and client confidentiality makes it difficult."

Mr Wormald wonders whether contingency payments - fees based on results - may become more widespread. He also poses a question: "Consulting is still an American-dominated profession. Is there any distinctive European style of management evolving?"

Rachel Johnson looks at SQW

Right place, right time

JUST downwind of the neighbouring pig farm, Segal Quince Wickstead are an organic part of the Cambridge phenomenon - the growth of high technology industry around a university town.

Consultancies of all kinds flourished in the Lawson-Thatcher boom of the '80s, egged on by the corporate appetite for clear forward thinking at a time when borrowing was just the property market was rising.

This young economics and management consultancy is determined not to go under, as so many companies have, with the UK recession.

Right on the edge of John Major's Huntingdon constituency, SQW is just one of many competing for a dwindling number of commissions. It is having to try hard to convince public and private sector clients that they cannot possibly afford to postpone that feasible

study for a new business park, for example, or cancel that assessment of the Polish toolmaking industry.

Nick Segal, chairman, conveys a strong impression that he made the move to the right place at the right time, and that his company is in a strong position to ride out the recession.

South African by birth and an engineer by training, he had no wish to devote his economic skills to the forecasting game played by his counterparts at the Treasury, Bank and City financial institutions.

"The economist's tool bag is a help," he acknowledges, "but what we do best is applying micro-economic issues to projects and interpreting the external environment."

Previously at Coopers and Lybrand - as was one of SQW's directors, property and urban renewal specialist Tim Forde - he was convinced that

a consultancy would prosper if it could offer clients - governments, development agencies, universities or companies - something beyond economic competence.

In SQW's case, this was expertise in public policy and corporate strategy, founded on its fortuitous Cambridge connection.

SQW's virtual *raison d'être* was the Cambridge phenomenon. In its infancy in 1985, it moved to Cambridge from Cirencester to win its first commission - for which it was "paid a peanut" - to analyse the causes of the phenomenon.

Last year, it moved 10 minutes out of the congested city centre into the market village of Swavesey. Its smart new headquarters, within snuffing distance of the pig farm, has ample parking in the gravelled forecourt and around 30 staff.

The Cambridge study, says Segal, made the consultancy's



Nick Segal, chairman of SQW

reputation as The Consultancy for work on technology transfer, links between higher education, and urban and small business development.

So much so, indeed, that they "expanded too fast", becoming a company without a proper management structure. "Like a lot of small businesses in Britain, we are learning as we go along. We're good at advising other people but not ourselves," says Mr Segal.

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Industry matters

ASK any one hundred people and most, if not all, will agree that a successful manufacturing sector is vital to this country's future. Even those who aren't familiar with the statistics and the esoteric arguments feel, instinctively, that we need successful companies who make things, real wealth generators, as well as those who simply recycle money through services.

It's not surprising that we feel this way. The country became great on a tide of manufacturing excellence and most of us can remember when 'Made in Britain' meant quality compared with all the cheap rubbish which came out of the Far East.

How things have changed. The sad fact is that once we were a great manufacturing nation and now we are not. A number of political rhetoric, or suspect statistics about 'relative productivity improvements' since we were elected, can hide the plain truth that in the last few decades we have allowed our manufacturing sector to wither. There's no point in apportioning blame, we're all to blame. The financial institutions for failing to understand the importance of long-term industrial health on the economy as a whole, universities for failing to produce enough

support this but perhaps three statistics say it all.

- Japanese universities and colleges turn out nearly five times as many engineers and scientists than we do in the UK.
- In Germany 50 per cent more school leavers take part in structured vocational training programmes.
- To rub salt in the wound, each year Japanese inventors patent seven times as many new ideas as their British counterparts.

These figures are worrying enough in themselves but the underlying trends are even more disturbing. Many nations already have much healthier manufacturing sectors than ours and yet they are increasing their investment in skilled people. Just to maintain our relative position in the league we need to increase our supply of engineers and scientists, at a far higher rate than trends over the last few years suggest. We, in manufacturing industry, also need to attract the best to take up careers in industry rather than jobs where their technical training and skills are peripheral.

If we are to regain our position as a major manufacturing nation we must, in my view,

By Ron Armstrong, Chief Executive

good people, and governments for failing to provide any lead in the form of a national policy or even consistent trading conditions. Most of all, we in industry are to blame for letting them all get away with it for so long.

Our future standard of living depends on us having a healthy manufacturing sector. Manufactured goods can be traded internationally. They generate new wealth rather than simply circulating wealth through services. Manufacturing contributes about a quarter of our GDP but over 80 per cent of our export income. We are not a tiny nation who can exist on niche service sectors. If anyone doubts the fragility of an economy based on service industries they need look no further than the loss of tourism created by a short war in the Middle East. We have failed continually to grasp the fact that sustained economic growth will only be achieved if we have a strong manufacturing sector which produces internationally competitive products. This hinges on one thing, investment. Investment in physical resources and in trained people.

By any commonsense comparison, our record in producing enough engineers and scientists is pitiful. Every country which recognises the importance of manufacturing to their economy, has invested heavily in research, development, education and training. There is considerable evidence to

have a national policy, drafted and implemented by a new ministry which is tasked with creating the conditions necessary for a rejuvenation of our manufacturing industry. The present role of the DTI is too diffuse. It covers too many types of industry and, paradoxically, has only a peripheral role in critical industrial issues such as education and training, fiscal policy and environmental legislation. The new ministry should have far-reaching powers covering those aspects of training, financial and regulatory matters, which are vital to manufacturing competitiveness. It would provide co-ordination where there is chaos, co-operation rather than competition through legislative powers designed to support conditions for growth.

Open competition, level playing fields and non-intervention, whatever that means, are all very well, provided that other conditions are benign. In the face of relative decline, intervention is not just a good idea, it's essential. After all, intervention is practised when it suits, for example, in education policy, interest and exchange rates, and in defence, so what is so special about industrial policy? It's far too late to allow intellectual dogma to provide an excuse for lack of action. The major players have failed consistently to create growth on a scale which is required and there is no evidence to suggest



Ron Armstrong, Chief Executive

that they will fare any better in the future. A national manufacturing strategy may just provide the catalyst we all need.

Such a strategy will not be simple either to design or to put into practice. International trading regulations and an increasing amount of legislation governing competition policy restrict our room for manoeuvre. But there are many things we can do, such as:

- Setting national targets for the numbers of engineers, scientists and business graduates produced by academia and providing the necessary resources.
- A complete overhaul of corporate taxation providing greater incentives for investment in training, R&D and market development.
- Creating a regulated system of low interest investment finance backed by long-term fiscal guarantees.
- Stepping up the intensity of national programmes to create better awareness of industry in schools and young people at large.
- Putting even more effort into the drive for high quality innovative products.
- Requiring companies to declare expenditure on R&D, training etc., in their annual accounts and modifying audit

practices to provide more accurate projections of the future health of the business.

None of these ideas are particularly new. But they are all possible provided we get rid of confused thinking and an unwillingness to act. Perhaps it's not even too far fetched to consider the designation of key national industries for investment and growth, linking them to the regeneration of our major industrial centres. This would at least be better than bribing companies to move to areas lacking in infrastructure and attractiveness to qualified and ambitious staff. The regional development agencies do excellent work but, surely it's far better to put effort into developing important industries rather than geographic areas. If we have healthy industry we won't need development areas.

It's easy to bury our heads in the sand, hope that another natural resource bonanza will come along at the right time, and to believe that, somehow, it will turn out right in the end. In my view, we've ridden our luck for too long. Our future as a successful manufacturing nation is too important to leave to chance. It's time, to not just hope it will happen, but to act to make it happen.

The international challenge

an interview with Dr Derek Fuller, Divisional Managing Director

THE COMPANY has undergone a massive change in the last six years, says Derek Fuller, divisional managing director of Pera International. As many people who know the organisation will recognise, the turnaround originated from the appointment of the current chief executive, Ron Armstrong. The transformation in this period has been dramatic and remarkable; prior to Armstrong's arrival the company was in deficit, was run on a loss and was the epitome of a sleepy old style research association. The changes in organisation, people and culture have been dramatic. All of the directors and virtually all of the middle and senior management of six years ago have gone. These changes were not without pain and heartache; particularly in a people business like consultancy, however the changes have brought a financial upturn and a new vibrant and dynamic atmosphere.

Like a number of people who have joined the company in recent years, Fuller came from another leading consultancy. Now responsible for all the professional services at Pera International's headquarters in Leicester, Fuller said that, like others, he was encouraged to join because of the strong position and the future potential. "Yes, Pera International has come an enormous way in the last few years but it still can and will go a great deal further. We are obviously getting something right," he said, "as while we see major consultancies contracting, no doubt as a direct consequence of the recession, we are in a period of probably the most aggressive growth that the company has seen." He went on to say that many areas of the operation were resource rather than money limited and one of the biggest barriers to growth was the problem of finding good and experienced people.

The range of services is certainly diverse, with consultancy covering manufacturing, marketing, quality, and human resources, all working closely alongside a range of technical activities where new products and processes are developed for clients fully supported by extensive workshop and laboratory facilities. Although the range of activities is extensive, Fuller believes that while continued success owes something to the ability to put together multi-disciplinary teams of experts to solve a client's problem, it probably has as much to do with a professional approach to all aspects of the business.

Membership services is yet another dimension to the business, and one which Fuller described as being akin to prepaid, short, sharp consultancy. Again it is an area that has seen significant growth in the last

few years, there now being over 2000 companies subscribing to this service. A major part of the basic offering in consultancy is membership in providing advice and information. With fees on a sliding scale according to turnover, companies appear to be able to make an unlimited number of enquiries. "In theory this is true," admits Fuller, "but in practice this does not give us a problem; I suppose in the extreme if a company consistently made an excessive call on the service we would probably look to renegotiating the fee, but we have not had to do this, as yet!" It is a fair claim to say that this activity is "very well established", the numbers largely speaking for themselves with a full time team of over 30 people, based up where necessary by specialists from other areas of the company and with access to over 200 in-house and on-line computer databases. Traditionally this service had an emphasis on technical enquiries to manufacturing industry but increasingly marketing and financial information is being provided and there has been a significant increase in the number of enquiries from the service sector.

So how international is Pera International? Currently over 20 per cent of income derives from overseas and this proportion is increasing; and needless to say an increasing proportion of work, for example in product design and marketing consultancy, has an international dimension even when undertaken for UK companies. "We are now actively marketing and selling our services in mainland Europe and have staff dedicated to this, and while we do not have an office overseas as yet, watch this space!" Fuller said. Interestingly he has mixed feelings about the increase in the amount of overseas work. "For us both corporately and individually, it is exciting and challenging. However, basically we increase the competitive position of our clients, whether through developing new products, or by improving their manufacturing operations, etc... Now the UK is a rich source of talent and when we and others like us, work for overseas companies it only helps the balance of payments in the very short term, overall we arguably have a negative effect through helping overseas companies become more competitive and sell more product in the UK market. Really we are part of what you could call an invisible trade drain and I confess this gives me mixed feelings. It is always a little sad to see British expertise helping overseas companies move their business forward when we know we could be doing the same job for a UK company; but we have a business to run!"

New products improve future prospects

David Riley, Business Manager, describes some of the ideas for new "products" and services Pera International will be introducing.

CONSULTANCIES often talk to clients about "continuous improvement" but fail to apply it to their own businesses. Clearly they will lose clients if they do not re-examine constantly how well their "products" and services are received.

Pera International puts considerable effort into improving what it does. The task of its "new product development" is to review current "products" and services, compare them against what clients need and set priorities to fill any gaps.

The priorities for development come from inside the company, as well as from research. The internal ideas – usually the best ideas – come from the company's managers and staff as a result of their dealings with many different clients.

This process has led to initiatives such as "competitive benchmarking". Pera International's quality management division has found a high degree of variation between what companies consider to be important in measuring performance standards in cus-

tomers service. As a result, a development programme is underway to build a European database of benchmarks. European companies will be able to compare their own measures and performance against those of competitors and high performing companies as the first step in improving performance. This approach brings "world class" standards within the reach of companies of all sizes, not just the biggest.

The membership services division is building upon its "Eurodesk" information

service to help members reduce the cost of entering international markets. Work is going on to develop "international membership services" to provide information and support right from market analysis through to matching producers with new distributors at home and abroad.

The environmental engineering division is looking into the impact of the Environmental Protection Act which comes into force next year. Under the Act, many companies will need to gain approval and a qualification

to help members reduce the cost of entering international markets. Work is going on to develop "international membership services" to provide information and support right from market analysis through to matching producers with new distributors at home and abroad.

development under consideration. While some of them belong to particular parts of the company, there is a common thread to them. They all address issues which Pera International believes will be central to clients facing even greater competition in future European and worldwide markets, and the company's objective is to be ready in time to help clients resist these pressures with new ways and methods.

Something New?

Legislation that could be good for business



Recent changes in legislation and public opinion are placing unprecedented pressure on industry to clean up its operations and ensure that its activities are 'environmentally friendly'.

"the amount of 'greening' has to be equated against the costs of improvement"

Some companies have responded better than others, but in all cases the amount of 'greening' has to be equated against the costs of improvement. The government is moving increasingly away from the voluntary approach by industry to a legislative basis of control. Under the new Environmental Protection Act (EPA) there will be more stringent controls on the way waste products are discharged into the environment. Companies using processes that have

the potential to pollute will require registration and a licence.

To obtain a licence operators will be required to satisfy the regulating authorities that the Best Available Technology Not Entailing Excessive Cost (BATNEEC) has been employed to minimise pollution.

Accepting that the imposition of the legislation is onerous, Pera International is developing a process known as 'benchmarking'. This requires management to set objectives in environmental areas such as waste, energy usage, and recycling.

A critical action team is set up to identify targets and actions to meet the legislation and make savings in costs. With this approach Pera International believes it can turn a potential problem for industry into a profitable initiative.

A seminar on forthcoming legislation will be held at Pera International in June. Aspects of the new regulations and details of schemes for funding will be available. To attend contact Anne Fennelly on 0664 501501.

Eastern Europe: Back to the basics

Human Resources Development

Neil Whittier, Director of Human Resources, looks at opportunities in overseas markets.

JUST as the basic necessities of life, which Western Europe takes for granted, are scarce in Eastern Europe, then the basic understanding of how to run a business and training in its fundamental disciplines are equally rare. This is the conclusion of investigations carried out by Pera International's human resources division.

For some years Pera International has undertaken both management and skills training overseas, particularly in the Middle and Far East.

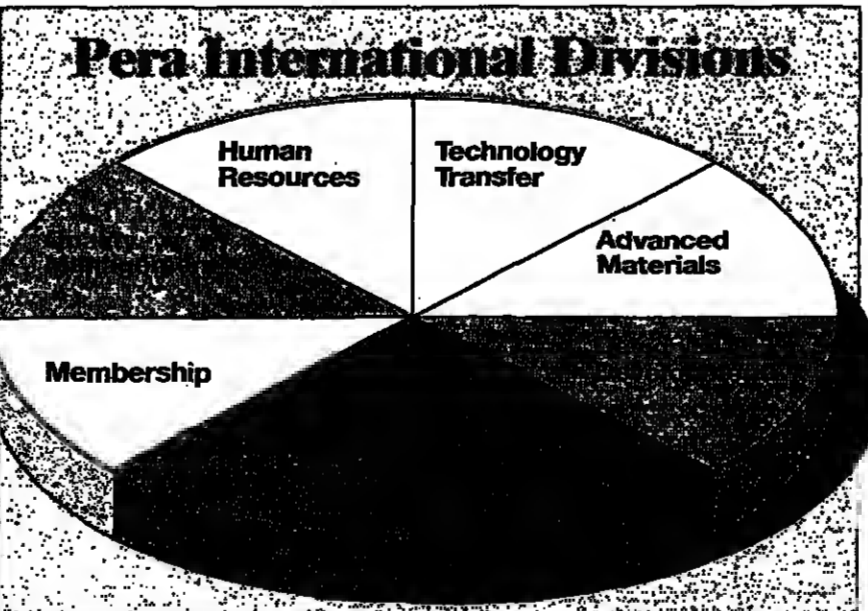
Now there is a surge of interest from Eastern Europe which is keen to learn the skills and expertise available in the West.

Pera International is working on a programme directed to the requirements of Czechoslovakia, Poland, and Hungary, which

will help these countries begin to address such concerns as pollution controls, improving the working environment, adopting modern production methods, and upgrading the quality of the goods that they produce.

In the face of pressures on investment in training, new attitudes to cross skilling and employee flexibility, managers in the West are brought up in an environment of competition. They respond to the effect of market forces upon their business as second nature.

To the majority of people in Eastern Europe the pressures are not only new, but in most cases outside their experience. It is not a case of transferring training courses from the UK and slowing down the time of delivery, it is much more fundamental.



"They do not understand business plans, nor customer orientation"

Many people who have been brought up in the quota system have great difficulty in understanding such everyday terms as

'the market place' let alone the 'competitive environment'. They do not understand business plans, nor customer orientation. A great many have no comprehension of management accounting, not even of the cost per unit manufactured, for example.

While this crisis is less public than the human one, it is nonetheless just as real and just as challenging – it is perhaps one of the biggest challenges the West faces in the 90s.



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For more information please call Neil Whittier on 0664 501501.

Advanced Materials: Putting European industry years ahead

WHILE the use of advanced composite materials is well known in high visibility items like carbon fibre racing car chassis, a quiet revolution is going on in less glamorous, but very important applications.

Composite materials in which a matrix of reinforcement, for instance carbon fibre, is combined with a resin substance represent one of the most exciting areas for new developments in engineering into the next century.

The materials' combination of light weight with strength means that their range of applications will certainly continue to grow. For the most part their use is currently in the aerospace industry and in sports goods.

The reasons for this relatively limited use stem both from real restrictions in the ability to mass produce composites items – much current production involves painstaking, skilled, manual work – to a misplaced distrust of plastics materials in some industries.

Pera International is involved currently in over a dozen projects aimed at further developing the use of composites materials. A four-year, £5 million multi-national project just launched aims to develop automated techniques for the manufacture of structural, in other words load-bearing, components in the automotive industry. This ambitious project could have a pro-

found impact on industry making cars lighter, stronger and cheaper to build. Its importance is emphasised by the fact that it is receiving £1 million of support from the European Eureka programme.

Thus far composites materials have enjoyed only limited favour in the volume motor manufacturing business. While several well-known vehicles, such as the Renault Espace and Lotus Elite, have moulded composite bodies, it has proved difficult to employ composites in structural applications. The reason is that no fast and reliable techniques for fabricating structural composites have yet been developed.

Pera International has carried out work

which has proved the feasibility of manufacturing composites components at the required 'automotive industry rate' of one part per minute.

But this new project will also thoroughly explore relevant aspects of both the materials themselves and fabrication techniques. Altogether nine organisations will be involved from the UK, France and Italy. It is acknowledged that 'there is nothing else' in the USA or Japan that is comparable and that the project will give European industry a lead of 'at least two years' – an enviable example of world class performance in new technology.

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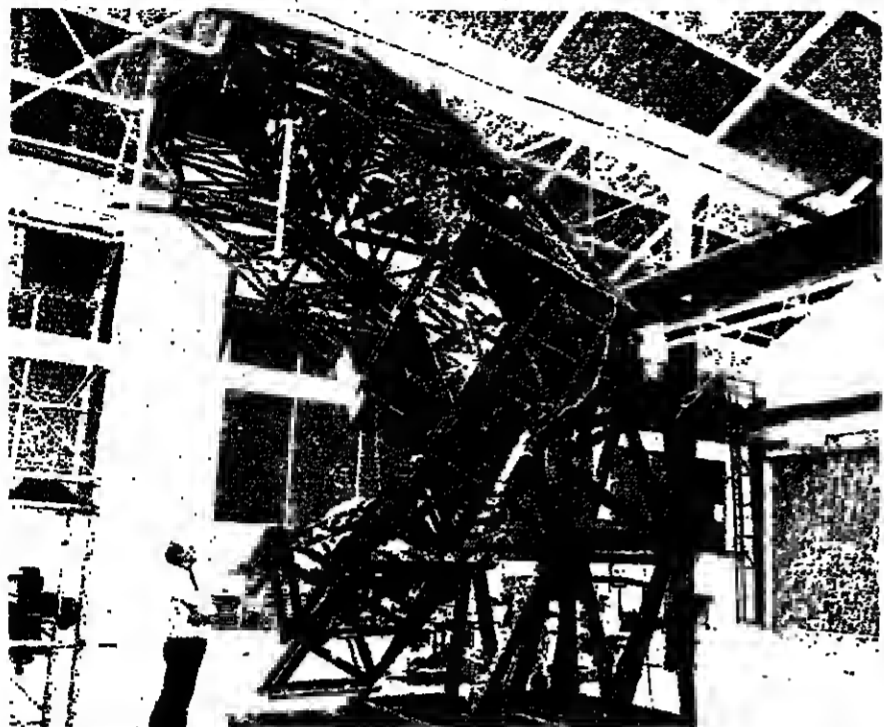
Technology on the limits – saving time, lives and money

By Dr Duncan Hine, Business Development Director.

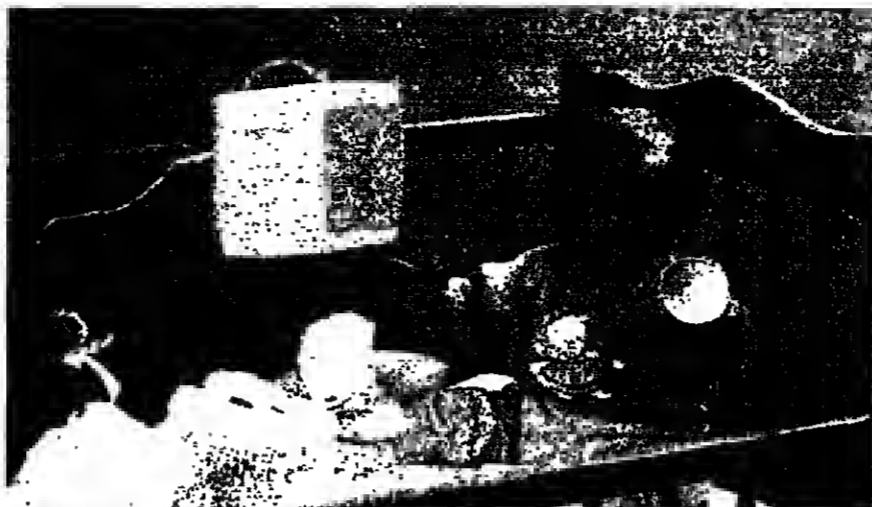
Managing any external resource is always difficult", says Duncan Hine, "and managing multiple external resources is almost impossible". Many companies discover this the hard way when they engage several organisations to act as specialist consultants on a new product design and development project. Hine, Pera International's business development director, argues that there is a better way –

engage a single, multi-disciplinary consultancy able to carry out all the required work. The benefits are those of tighter control, easier communication, more cohesive team work and greater accountability. Pera International's diverse resource base, says Hine, makes it ideally suited to provide precisely these advantages.

Several projects completed by Pera International over the last year illustrate



Goniosphotometer at F W Thorpe.



Babyguard: A life saver on test.

how successful this can be. The first of them involved the design and construction of a substantial piece of precision equipment called a goniosphotometer for lighting manufacturer F W Thorpe of Redditch in the West Midlands. This device is an angular light meter used to test the performance of light fittings ranging from a 20 watt lamp to a 2000 watt floodlight. The machine measures the varying intensities of light at a large number of different points around the light-source. It weighs several tonnes, is nine metres tall and has a rotating arm six metres long.

When the machine is operating a light sensor on the end of the rotating arm takes some 2000 individual readings from the light source. Pera International had to design the machine so that when disassembled all the component parts could fit through a normal-

sized set of double doors five feet wide by six feet high.

"the most impressive statistic, however, is the degree to which use of the machine saves time"

Perhaps the most impressive statistic, however, is the degree to which use of the machine saves time. Taking the necessary readings and processing the resulting data manually used to take F W Thorpe two to three days. That time has now been reduced to a similar number of hours!

A more recent project involves a device that could hardly be more different in appearance or function. The Babyguard is a

monitoring device intended to guard against the Sudden Infant Death Syndrome (SIDS), commonly known as Cot Death, which claims the lives of more than 2000 babies and infants in the UK every year.

A special sensor is attached to measure the infant's respiration without physical contact. Given the obvious attractions of a device which could help avert tragedy by alerting parents or medical staff to any abnormalities considerable development work was required. The device's electronics and its appearance were crucial in an item intended for both the medical and domestic markets. Solutions were created for both these major features by the team who also had to cope with several other demands, including ease of assembly and operation, low manufacturing costs and moisture resistance. The Babyguard is currently undergoing clinical trials, before volume

production begins.

Finally, Pera International has been working with the British Materials Handling Board (BMHB) to define better rules for ducts and vessels subject to potential air/dust explosions. Hine says this can arise in many situations and that current systems are over designed with a consequent waste of money and resources. The team has developed a methodology which will contain an explosion once without losing integrity. Deformation is acceptable, catastrophic failure is not.

Hine says the Pera International approach could become an industry standard of great use to Health and Safety Executive inspectors.

So, whether saving time or lives, the professional, multi-disciplinary teams from Pera International can generate impressive and timely solutions.



Explosion test: Courtesy of Dust Control Equipment, Leicester.

World class performance through Total Quality Management.

Mike Farrish reports on TQM and its application at NatWest Insurance Services.

A people methodology", says Paul Spenley, "is the single most important factor to achieve and maintain competitiveness. Without one any other investment, whether in new technology or in streamlined procedures, such as Just-in-Time scheduling, may be completely vitiated".

Spenley is Pera International's director for quality. As such he heads up the organisation's quality management division, which has the task of helping client companies implement the most fundamental people methodology available – that of Total Quality Management (TQM).

Quite simply TQM is the means by which a company puts the emphasis on people. It requires all the individuals within an organisation to be motivated towards the goal of continuous improvement and be oriented towards meeting the needs of customers. Customers also mean other people within the same organisation and not just external purchasers of goods or services. TQM is therefore a never-ending activity.

"A programme has a beginning and an end. TQM only has a beginning"

This is why Paul Spenley stresses that TQM must always be regarded as a "process" and not a "programme". A programme has a



beginning and an end. TQM only has a beginning", he says.

Instead Spenley stresses that TQM is very much about "performance measurement" – in other words about working towards realistic and quantifiable goals. Ultimately the success of TQM is measured by the performance of a company against its

competitors.

"Customers", Spenley notes, "carry out competitive benchmarking all the time".

Similarly many of the customer based targets a company must set for itself in pursuit of TQM will be non-financial, but they will definitely show in the company's financial performance.

But whatever the nature of the company TQM must enjoy full and informed support from the highest level.

"TQM", Spenley remarks, "starts in the boardroom".

After an initial review of the whole company Pera International's approach to TQM therefore moves straight on to a planning workshop with the main board of directors. This has the primary aim of getting the board to elucidate a "mission statement". The board must then also determine the company's key "business drivers", what it needs to be good at to fulfil the mission statement, and the "benchmarks", the parameters against which performance will be measured.

"Once the 'top team' is fully behind the drive for TQM", remarks Spenley, "half the problems disappear".

Continuous Improvement Teams (CITs), at middle management level, form a fundamental building block of the whole TQM process meeting regularly and led by the appropriate departmental management towards key performance measures. In a TQM environment communication skills are an indispensable management attribute and must form an integral part of management training and coaching activities.

A significant benefit of implementing the team structure is that the devotion of much day-to-day problem solving to middle management and other staff leaves senior management with more time to think strate-

gically about the company's future.

Spenley stresses the point by arguing that wherever possible all members of the workforce ought to be allowed to "set their own measures", in other words to set their own targets and standards.

"Indeed if you allow people to set their own measures they generally set themselves tougher ones than any traditional management would dare impose", he says.

A one sentence definition of TQM might therefore be that it is a top-down initiative

that aims to generate bottom-up improvements. But though every TQM project will share common features each will also be unique because no two companies are exactly alike.

Pera International clients range from manufacturing right through to financial services operations. All are very different yet ultimately the emphasis is on the internal "ownership" of particular processes by the people who operate them and on "continuous improvement" in their chosen fields.

NATWEST Insurance Services (NWIS), the insurance broking arm of the National Westminster Group started out on the road to TQM with the help of Pera International early this year. According to managing director Stuart Frost the company felt that the service it was providing, while adequate, was not exceptional enough to meet the demands of an increasingly competitive marketplace. Nor was an existing quality programme delivering improvements quickly enough.

The company acted after hearing a presentation on TQM from Paul Spenley at its annual conference in the autumn of last year. Stuart Frost says that it was made obvious that a quality improvement process cannot be properly implemented without appropriate fundamental structures within an organisation. Paul Spenley also reminded his audience that the wastage rate in the financial services industry averages 40 per cent of turnover, twice as much as that in the manufacturing sector.

NWIS had its initial top team workshop in January. The team comprises five members: Stuart Frost; deputy managing director, Steve Wells; the two assistant managing directors Alan Chambers and Peter Measday; and the head of quality service department Roy Tummson. The team decided that the company's mission statement was "to enhance our position as an established and

profitable market leader in the insurance industry through being recognised as a centre of excellence."

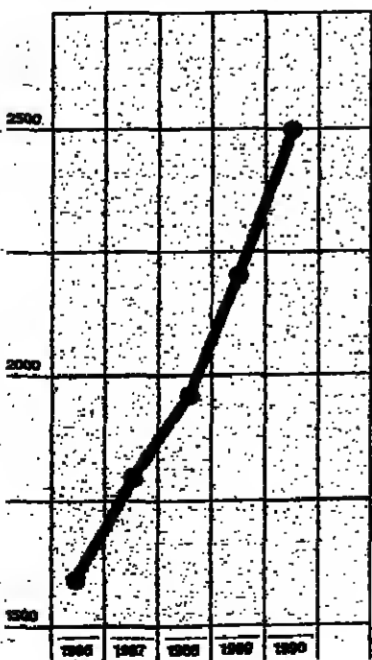
Following a thorough appraisal of the company's operations an implementation programme was agreed, one of the first steps of which has been a series of workshops for the 14 divisional and departmental heads. Three problem solving teams have also been set up to tackle vital communications issues in the areas of post, telephone usage and document retention – all key cross-company issues. A top team member has been given the job of championing each of these teams, so ensuring that no obstacles limit their effectiveness.

From the end of this month a further series of workshops will involve the 400 assistant managers and supervisors in the organisation. This will prepare the way for the introduction of continuous improvement teams led by members of this level of middle management.

Stuart Frost said, "The TQM campaign has already made it apparent that different individuals understand the nature of the business in different ways. There will continue to be a need to place great emphasis on the traditional measures of business performance, such as income, profits and costs, but in addition, service delivery standards, such as promptness and accuracy, will have to be seen as vitally important."

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MANAGEMENT CONSULTANCY 6

EASTERN EUROPE

'New realism' sets in



LOOK, FELLAS, ALL I SHD WAS WE NEED TO WORK OUT A FIVE-YEAR PLAN

EASTERN EUROPE has moved swiftly from the tyranny of the bureau's plan to the terror of the consultant's bill. While the Berlin wall was still being dismantled, a euphoric "gold rush" of western advisers began and is only just beginning to ease up.

Mr Michael Grumberg, managing partner of Stoy Hayward in London, says he recalls a flight from east to west where he looked around in vain to find a single business executive. "The entire aeroplane was full of consultants," he says. "I sometimes wonder if a census in Budapest would reveal more foreign advisers than locals."

Price Waterhouse, the accountants and management consultants, decided to make an early start on the expansion eastwards in 1989, and has now established offices in Budapest, Moscow, Prague, Berlin, Bratislava and Warsaw. It expects to have to ride out several more years of investment before the operations become self-supporting.

Consulting in Eastern Europe is not for the shallow of pocket or the faint of heart," says Mr Bruce Edwards, managing partner for Eastern Europe and the Soviet region. "Companies are mistaken if they think it's quick reward territory. We're not there yet by any means."

There are heavy question marks over whether the development of large permanent offices in the east have been far too ambitious. Much of the initial impetus was fuelled by grants from enterprises and governments within the east itself, and more by opportunistic companies in western Europe which were eager to seek out joint ventures and possible acquisitions. As they have developed their strategy and built up expertise, some consultants say the demand for bought-in professional services has started to decline, though Peat Marwick says it remains a strong source of work.

A second tranche of funding has come from international funding sources, such as the World Bank, the EC, the new European Bank for Reconstruction and Development, and bilateral grants including the British "know how" fund run through the Foreign Office. These are becoming increasingly focused, although there appears to be a lack of co-ordination.

Only a modest amount of money for consultants has come from internally-generated sources, including governments and infant private sector businesses. Funds are limited, and decision makers are becoming highly selective. The range of work is both broad and deep, with sectoral and strategic studies, privatisation work and restructuring alongside more conventional auditing, information technology and management assistance. Poland has been a common focus, reflecting the country's size and its regime's political commitment to transformation of the economy. At the other end of the scale is the USSR, an uncertain and very long term prospect for business. "We are there to provide lobbying and assistance, to be informed and present for when things do change," says Price Waterhouse's Bruce Edwards.

There was undoubtedly a

period when small pirate firms took advantage of the booming consultancy market, offering expertise that they did not have. The list included individuals and small groups starting from scratch, as well as local companies which were originally set up to advise Western companies on how to establish a presence in the East.

However, one World Bank official involved in the region argues that many organisations paid a premium price and got sub-standard service from good quality firms "because they could get away with it". He says naïveté is fading fast.

He also questions the extent to which foreign companies will be able to continue expanding their practices. The very high daily charge-out rates, when set against the growing skills of local people and the continued language barriers, will gradually militate in favour of more indigenous consulting.

Nevertheless, Bulent Gultekin, professor of finance at the Wharton business school in Philadelphia and principal adviser to the Ministry of Ownership and Transformation in Poland, expects a large increase in the volume of business for consultants in the country, including those from abroad. He says many local enterprises have good technical staff, but lack marketing and strategic skills.

He suggests companies trying to generate new customers should establish branch offices to reflect the decentralised level at which many consulting contracts are decided. They also should try to bring their own funding for projects with them, he says, by lobbying their governments to provide technical assistance grants.

Stoy Hayward's Michael Grumberg says contracts in Eastern Europe represent about 5 per cent of the firm's London office billings, but he would be reluctant to see that figure rise much beyond 10 or 15 per cent. "We don't want to place long-term reliance on it," he says.

He says the key to winning contracts in the East is finding local partners, and keeping abreast of the priorities of the foreign funding agencies. His firm has concentrated on the transfer of know-how, for

example, and has launched a series of training courses in conjunction with the College of Finance and Accountancy in Budapest. The aim is to train local teachers who will in turn train others.

The Eastern European offices of those firms with a substantial physical presence have placed great emphasis on hiring locals. But while they are discovering people who can turn very quickly, Price Waterhouse's Bruce Edwards says it could take five years to train junior staff, and more than ten for top managers.

In the meantime, he argues, there is a need for expensive, highly skilled expatriate staff. The work requires multidisciplinary skills, sensitive handling of clients' expectations, and cultural problems. There are complicated operational problems, cultural gaps, and a lack of understanding of business concepts.

Despite the difficulties, "the work is exciting and stimulating," says Mr Michael Littlechild, principal consultant at the strategy services group of KPMG Peat Marwick, which has offices in Budapest, Warsaw, Prague and Moscow, and plans new ones in Yugoslavia

and Bulgaria.

"We need to give the whole organisation a once-over and create very radical change," he says. So there is a need for a varied team of staff, and tight project management. The biggest problem is not the lack of information systems or capital, which can be dealt with relatively simply, but the absence of trained personnel in local enterprises.

Mr John Lindquist, a partner with the Boston Consulting Group in London and joint leader of its Eastern European practice, is keen to counter the stereotypical view that businesses in the region are inept.

While it may take two to three years to turn a state company around, he says, it is not through lack of management, but rather a different set of priorities. There are often many quality controllers in place, for example, but using simple inspection techniques; there is also detailed cost information, but it is linked only to overall production figures.

Nevertheless, they have to change from a monolithic, extremely concentrated business into an extremely fragmented one where you have to find customers," he says.

Consultancy in Eastern Europe is now moving into a third, more stable phase, according to Mr Lindquist. After the initial euphoria at the start of last year, and an overplayed pessimism during the summer, a "new realism" has set in to provide well-qualified firms with good, steady business.

Andrew Jack

AFTER two buoyant years in 1988 and 1989 and a healthy start to 1990, the sector is now going through lean times. Turnover last year totalled an estimated FF5bn, up 8 per cent from 1988, according to the professional association Syntec Conseil. This estimate covers only firms with at least five consultants, and might double if independents were included.

This compares with an increase of 15 to 20 per cent in previous years, and will probably be followed by a growth of only 10 per cent this year, Syntec Conseil President Philippe Giraud said. It might seem ungracious to bemoan these figures when the sector shrank by 15 per cent in the UK last year, but leaving aside computer services, management consulting remains an activity of modest scale in France.

The downturn in the sector, accelerated by the Gulf crisis, has hit medium-sized firms particularly hard. The large established firms, such as market leader Bossard Consultants and Andersen Consulting, claim to be holding up well, as

FRANCE

Things are tight

are niche players. Business started to pick up in March and April, commented Gerald van Kemmel, managing partner for France for Andersen Consulting and chairman of the firm worldwide.

Like elsewhere, the nature of the work has changed in France. Customers now opt for operational projects with quick results, rather than long-term proposals with heavy investment, Mr Giraud said. "Companies have adopted a wait-and-see attitude towards investing, and want to ensure their survival first."

In some cases, customers insist on a pilot scheme before introducing them throughout the company, said Michael Navarra, a partner of Peat Marwick, who says that consultants have to be pre-

pared to roll up their sleeves and actually work on operation projects themselves," he said. Like Bossard, Peat Marwick is betting on a 20 per cent rise in turnover this year.

This shorter-term view means strategy specialists are going through a rough period. Andersen Consulting predicts this area will expand by only 5 per cent in France between 1990 and 1994, against 10 per cent for management/organisation and 19 per cent for computer services.

Opinions may be divided over the outlook for computer services firms. But no-one disputes the fact that government and public sector enterprises represent the best prospects for management consultants. Cost-cutting and efficiency have become high priorities for the

state-owned rail system SNCF, and the utility Electricite de France (EDF). Syntec is talking of an increase of about 16 per cent for the public sector, way above average.

For Philippe Peyre, Bossard Consultants managing director, demand is strongest from the public sector, services and industry, in that order. Local authorities and hospitals have also become good customers, he said. Decentralisation in France, which began in 1982, has brought local authorities on to consultants' books, as they are in charge of some own spending and have had to learn to juggle with conflicting priorities of cost and public service.

In the search for better quality, companies at one time rushed to established Japanese-style quality circles, but that fashion is over. "The problem was that although the circles existed, the management philosophy to go with it did not," said Mr Peyre.

Now manufacturers are more concerned with design, cost both for products and computer systems, and shortening the product development cycle. They are also concentrating on motivating personnel, and zero stock defects, Mr Giraud said.

As for Europe, Mr Peyre has some harsh words to say about UK counterparts. Bossard is expanding in Europe and would like to acquire a firm in Britain, but finds firms are not deeply committed to Europe. "Contracts are easier with the Germans: the British still have not chosen between Europe and the US," he said.

Barbara Cassabus

French market	Management	Market studies	Recruitment	PR	Total
Turnover	5,000	3,500	1,050	830	10,380
Number of members	48	41	32	27	148
Turnover '87	2,524	1,325	307	245	3,812
'88	1,946	1,521	380	432	4,282
'89	2,261	1,661	481	500	4,932
'90	3,000	1,800	500	510	5,810
Staff '87	2,828/1,560			588	433
'88	2,551/1,782	3,025		557	
'89	2,842/1,950	3,305/977	719/351	605/524	7,472/3,642

Turnover figures in millions of francs. Firms employing 5 or more people.

ITALY

Slick multinationals compete

"FAR FROM being a victim of the economic slowdown, management consultancy continues to grow rapidly in Italy," says Roberto Tino, of Bain, Cuneo e Associati.

Bruno Ricca, president of Andersen Consulting, shares this optimism, forecasting an increase in his firm's fee income of between 30 and 35 per cent in the current year. This expansion is due partly to growth in the demand for management consultancy services. In a market that has not yet reached maturity, new clients continue to discover the consultancy option for resolving business problems. With the narrowing of the culture gap separating Italy from northern Europe and North America, encouraged by the change from first to second and third generation ownership of family firms, Italian businessmen are increasingly willing to commission outside assistance.

The growth being enjoyed by the big consultancy firms is also partly caused by structural changes in a market characterised by considerable fragmentation. While numerous small practitioners and small management consultancies are still a feature of a market in which there is only a handful of firms of significant size, this is changing.

Concentration in management consultancy is underway. Italian clients are now seeking greater professionalism from their consultants and the quality assurance that is offered by large, structured firms.

"The trend favours large international firms," says Mr Andersen. Indeed, some management consultants consider that the firm has been setting the pace in Italy over the past two decades. With 950 staff led by 33 partners, Andersen Consulting is Italy's biggest management consultancy firm, significantly outstripping all its competitors.

Operating from 7 offices, all in northern and central Italy, with Rome being the furthest south, Andersen Consulting offers a service that embraces the strategic, operational, technological and organisational aspects of the businesses of its clients. Reflecting its audit parentage, initially most of Andersen Consulting's work was concerned with accounting and financial systems. Links with the firm's audit side have since become tenuous.

Andersen Consulting's work is divided almost equally between industry and the financial sector, about 6 per cent of its fee income is generated by projects undertaken for public sector clients. "Recognition of the need for greater efficiency in public services will lead to an increasing amount of consultancy work being commissioned by Italy state utilities," predicts Mr Ricca. However, he considers the opportunities in local government and municipal services will be slow to develop.

The company is heavily involved in information technology, including detailed analysis and software programming. Some Italians in the field consider, however, that software work is not part of real consultancy business. Others would exclude highly focused firms, like those specialising in

logistics, organisation and treasury, and sole practitioners, from the definition of management consultants.

They claim that only those firms advising top management are true consultants.

Both McKinsey and Bain qualify on this definition, the pair strenuously competing for leadership at Italy's corporate summit. The contest has been a gripping feature of Italian management consultancy since the past two years, with Bain's

aggressive performance eroding McKinsey's position.

Until two years ago McKinsey enjoyed a comfortable, almost uncontested, place. This was met by the resignation of Gianfranco Cuneo after 22 years, to create his own firm, and to join with Bain to form Bain, Cuneo e Associati. Some 15 of McKinsey's best consultants left with him.

Severely weakened by these losses, McKinsey has been virtually eliminated from work

in the industrial sector.

Several factors caused the split. "McKinsey is not oriented towards implementation. But this assistance is fundamental. Consultants need to direct their efforts from 'teaching' to 'assisting in doing'. Implementation is where the client is best able to differentiate between good and bad consultants," says Mr Cuneo.

He considers that management consultants can only guarantee confidentiality by not working for clients whose interests do not conflict. "Whereas McKinsey is willing to work for two or more competing clients, we only undertake assignments for one client in any sector."

Moreover, Mr Cuneo believes McKinsey's US parentage leads to US clients being given precedence over Italians. The association with Bain avoids this while at the same time offering the benefits of a global network.

In the two years since it started, Bain, Cuneo e Associati, which now employs a staff of 60 consultants, has established a dominant position in giving strategic advice to Italy's leading industrial corporations. It is now turning its attention to the financial sector, where McKinsey still holds a dominant position in board level consultancy.

McKinsey is also being challenged by accounting-based management consultants like Andersen Consulting and KPMG Peat Marwick, and so too is Bain. "Our involvement in M&A and increasing activity in feasibility studies and other strategic consultancy is bringing us into direct competition with McKinsey," says Franco Masera, partner at KPMG Peat Marwick Consultants.

These challengers are highly competitive on fees. The average daily rate of a consultant from KPMG Peat Marwick is L1.5m. At Andersen Consulting, fees depend on the type of work, itself a function of the staff qualifications and experience. The firm's clients incur average daily fees that range from L1.5m to L2.5m, according to management studies to L1.0m for implementation of information technology projects.

Bain's policy is not to discuss fees. But given consultants' salaries that are conservatively estimated as one third higher than those paid by the accountancy-based management consultancies, and the fact that the work undertaken by Bain and McKinsey is always at the top end of the market, their average daily fees are probably from L1m.

"A large gap separates our fees from those of McKinsey, which can obtain significantly higher rates," says Mr Masera at KPMG Peat Marwick. Bain concurs: fees are not an obstacle in developing its business.

The key issue is whether the client is being given, or believes he is getting, value for money. Italy's big firms consider that the continuing growth in demand for their services confirms that the market is generally satisfied with the product they offer.

Fierce competition and growing client awareness and sophistication should ensure the quality of management consultancy in Italy will continue to improve. "The consultant must be increasingly creative and business-oriented, as only in this way will he be able to give significant added value to clients," says Mr Cuneo.

David Lane

The trend to diversification

THE BORDERS within the consultancy business have never been more blurred now that computer services firms are moving into the territory of management advisers.

Soget SA, the parent company of France's Cap Gemini Sogeti, the biggest computer services firm in Europe, began its diversification last year when it took a majority stake in French management consultants Gamma International. That was followed by the acquisition of the US firm United Research last summer, and in January US management consultants the Mac Group Inc. with teams in six European countries, plus Japan and Hong Kong.

The downturn suffered by many in computer services is seen as a reason for broadening into management consultancy. Cap Gemini Sogeti reported a net profit increase of nearly 19 per cent last year.

"More and more of Cap Gemini's customers were asking for collaboration on problems of major technology projects linked to their specific activity," commented Jean-Pierre Durant des Aulnois, Sogeti's development director. The two branches of the group will remain separate.

"We don't believe in a super-market concept," Mr Durant des Aulnois said. It is too soon to tell how much cross-fertilisation there will be, since only a few projects have used both skill bases so far, but "discussions are under way with a number of clients who now want to talk to us about global solutions," he added.

Other French computer services firms that have spread into management consulting include Compagnie Generale d'Informatique (CGI), which took over the Euxegroup in early 1988. Datalab, which set up a 50-50 joint venture with Peat Marwick, and Steria.

Rubert Mallet, chairman of



CGI, France's oldest computer services firm, agrees that the need for global solutions is enormous, but says companies are not fully aware of it yet. "A computer installation is necessary for just about any project these days, even in human resources," he said. More customers are using both services offered by CGI group, even though the numbers are still small, he added.

Arthur Andersen has been offering the twin skills of management consulting and computer services for many years. Its consulting group is betting on 19 per cent growth rate for this sector between 1990 and 1994, against only 5 per cent for strategy consulting and 10 per cent for management/organisation.

Reflecting the growing demand for integrated consulting services, the Andersen consulting payroll has added 100 people since last year, according to Gerald van Kemmel, managing partner for France. Recent reports on redundancies here are false, he said.

Despite the sector's woes, Mr Durant des Aulnois is also bullish about the future. The world "must distinguish between the short-term economic impact and longer-term trends," he said.

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MANAGEMENT CONSULTANCY 7

SCANDINAVIA

Recession deals the local industry a body blow

INDEVO, one of Scandinavia's leading management consultancies, is confronting problems of the sort it is normally paid by others to solve.

Its bid during the 80s to become a power in the European consultancy sector proved unsuccessful, while a diversification of its activities also ended in failure. Its owners were then forced to file for bankruptcy protection after the collapse of Indevco's proposed merger with Bain & Co last year burdened them with sizeable debts.

Mr. Ulf Hubendick, the Indevco president, believes however that the firm will prosper, although as part of a big international consultancy group. He predicts Indevco will have been sold by the end of the year, which will solve the owners' debt problems.

"We are optimistic about the future," says Mr. Hubendick. He says Indevco made a profit

of SKr27m (£2.7m) during the first quarter, after suffering a loss in 1990, despite the recession that is gripping Sweden.

Other management consultancy firms have not been so lucky. Several leading firms in Sweden have filed for bankruptcy, and more closures are expected.

While the market for management consultancy services in Sweden grew by an annual

rate of 10-15 per cent during the 80s, it has slumped by an estimated 20 per cent during the past year to around SKr1bn. Demand for services in the other Nordic countries, each of them about half the

size of the Swedish market, has also fallen, with the most severe downturn occurring in Finland, which has the worst performance in the region.

Although the consultancy business is expected to recover in the next several years as the Nordic economies improve, one legacy of the recession is that international management consultancy firms are likely to strengthen their position in the Nordic market at the expense of local competitors.

The experience of Indevco is a case in point. Established in Gothenburg in 1971, its fortunes were initially linked with those of Mr. Jan Carlzon, who used the services of the firm when he was president of Linjetry, the Swedish airline, and then Scandinavian Airlines System.

Mr. Carlzon's success in reviving the airlines resulted in Indevco gaining more blue-chip corporate clients,

including Asa and Saab-Scania, as well as such state agencies as the Post Office and the Swedish State Railways. Indevco became the largest management consultancy firm in Sweden, claiming a fifth of the market.

Its roster of Swedish multinational companies fuelled ambitions for Indevco to expand into Western Europe and challenge such international consultancy firms as McKinsey and Booz Allen. "We wanted to be the European competitor to the big US companies," says Mr. Hubendick.

Indevco decided to raise capital for its European expansion by being listed on Stockholm's over-the-counter market. It also diversified into other areas such as executive recruitment, corporate advertising and corporate finance to achieve positive cash flow. But expansion into Europe proved more difficult than



expected. Indevco's initial strategy of establishing its own offices in various cities, including Oslo, Helsinki, London, Zurich, Brussels and Madrid, proved expensive, and returns on the investments were slow. Indevco then sought to buy

other consultancies in Europe, but its efforts were frustrated by high purchase prices. In addition, some European consultancies expressed reservations about being bought by a Swedish firm. "We were regarded as coming from a peripheral part of Europe that was not even a member of the EC," Mr. Hubendick recalls.

Indevco suffered a further setback in 1989 when its planned merger with Infina, a Swedish financial group, collapsed. The merger was designed to help support Indevco's international expansion, but Infina finally balked at the size of the investment.

Infina's withdrawal from the venture forced Indevco to consider its plans were not as ambitious. When Bain & Co in May 1990 offered to buy Indevco in order to establish a presence in Scandinavia, the Swedes accepted. "Our attitude was, if you can't beat them, join them."

We saw the merger as achieving our goal of being part of a global network," says Mr. Hubendick.

But mounting financial problems for Bain forced the US firm to pull out of the deal six months later. This created financial difficulties for Indevco's 80 partners, who had staged a SKr310m management buy-out of the firm as a preliminary step to transferring own-

"We diversified so much that we lost the focus... We are returning to basics"

ership to Bain. Moreover, Indevco's executive recruiting operations were suffering losses, while interest rates were climbing. As a result, the ownership group controlling Indevco

recently filed for bankruptcy and created a new holding company in co-operation with its biggest creditor, Skandinaviska Enskilda Banken, as part of a financial reconstruction.

It has sold its finance and executive recruiting subsidiaries. Its corporate advertising agencies, Welinder and Blank-

ing, will also be sold, leaving Indevco to concentrate on management consultancy. "We diversified so much that we lost the focus on our TMC (Top Management Consulting) subsidiary. We are returning to basics," Mr. Hubendick says.

He acknowledges Indevco tried to expand too quickly. "We are not supermen. We took business risks like any company and we simply did not succeed. As I tell my clients, it is OK to make mistakes. What is wrong is not to correct them."

John Burton

GERMANY

Chipping away at mountainous problems in the east

"NEVER," says Mr. Werner Knecht, "was the use of consultants so much in demand and so necessary as in connection with the economic integration of Germany's new eastern states."

Anyone who has even an inkling of the problems associated with sorting out the chaotic economy of east Germany and aligning it to western standards will know what Mr. Knecht, head of the new Berlin office of Arthur D. Little, the US-owned management consulting firm, means. As the lid was taken off the rigidly planned East German economy after the border was opened in November, 1989, the true and wretched state of the country's industry emerged: an underdeveloped and overloaded infrastructure; acute cost burdens; an unbelievably high level of vertical integration; a weak service economy; poor productivity; and an almost total lack of management, marketing, and financial skills.

Since these are some of the things management consultants are supposed to try and put right, it is not surprising that they have been keen to set up in east Germany. But the problems are more fundamental than those of restructuring individual companies in the west, or advising on such aspects as technology, personnel, or costs.

Money, management skills, marketable products, confidence are missing

nel, or costs. In east Germany, the whole economy needs overhauling, not just parts of it. Companies lack money, management skills, marketable products, and, perhaps most importantly, confidence. Forty years of communist regime enforced with Teutonic efficiency have left people reluctant to show initiative and take risks.

It was a very rigid, inflexible system," says Mr. Wolfgang Schwarz of Hartmann & Partners, a Düsseldorf consulting firm which has set up in the east German town of Erfurt.

"Where any other company would not have thought twice about ordering parts and materials from a western supplier, they had to make everything themselves." This led to vast overcapacity of equipment and jobs, the reduction of which is causing painful social problems.

Even companies which were not starved of funds - most had to resist all requests to the east German government, receiving only a tiny proportion back - and could thus invest, find the going tough. Mr. Schwarz cites the case of a diesel-engine maker which had spent heavily on new plant, but a German firm had acquired one of its rivals, says Assis Martin-Oar, the senior industrial marketing executive at Sofemasa, the Spanish arm of France's Sofres. "Overnight, the Spanish business faced new problems and new public strategies that threatened its livelihood and so it came to people like us to sort out its problems."

where sections were inflexibly linked together.

In cases like these, the only option is to sell the equipment through foreign contacts. India is likely to buy some of this company's machinery. But even if operations can be streamlined and products made acceptable to the west, huge job cuts are needed at east German companies.

However, it is not simply a matter of struggling to turn companies around, or at least those with a chance of surviving. Mr. Tom Sommerlatte, the European managing director of Arthur D. Little, based in Wiesbaden in west Germany, argues for a more forward-looking approach.

Unlocking the real performance potential of east German companies is a much more challenging and necessary task, he said at the recent opening of the Berlin office. It involves the development of regional economic structures within which firms can thrive.



East Germany, he reckons, "is not a suitable parade ground for the pure market economy." This broader approach involves the transfer of know-how to the east, with universities and research bodies playing a part, as well as the forging of partnerships between manufacturers, suppliers, and service firms. In Mr. Sommerlatte's view, it also requires not only the privatisation of east German companies through their sale to west German and foreign concerns, but also the return of many to their former owners, and the sale of others to their managers.

The idea of management buy-outs is gaining ground in east Germany. Hartmann's Mr. Schwarz feels management buy-outs offer a way to future corporate prosperity, noting that the Treuhander, the east German privatisation agency, is now keen on such ventures.

The view of Mr. Eugen von Keller, a partner in Roland Berger, the German consultancy owned by Deutsche Bank, management buy-ins should also be promoted. "The Treuhander has to think about how to bring over management resources expert at the Ray group. Salaries in Spain are structured to the person and his or her seniority and not to the job. Job evaluations and performance appraisals, incentives and bonuses are all new notions in the Spanish environment. While the pace of foreign investment in Spain may have ebbed, the consolidation of such acquisitions requires considerable industrial relations expertise.

that they would have a stake in their future growth.

Berger, based in Munich, has set up a Berlin office to co-ordinate its business in east Germany. For some types of company, Mr. von Keller sees fairly bright prospects. These are in fields where local presence and contacts are essential, as in building and ser-

"The management potential is there, or it can be provided through buy-ins"

vice. "The management potential is there, or it can be provided through management buy-ins." Some companies, like Radeberger beer, already have a well-known name and good managers, he points out. Others have found competent managers from the ranks of middle management - in most cases, the top level is hindered with past political and economic mistakes - and also have good technical people. The real problem areas are heavy industries like shipbuilding, mining, and steel. Here, real corporate survival specialists are required, and these mostly have to come from the west. For sectors like electronics, chemicals, and textiles, the collapse of eastern European markets has been a

blow, but better products and more imaginative management and marketing can make a big difference. Mr. von Keller cites the examples of two textile companies. One, making curtains, has a name in the west and could be in profit next year. The other, producing materials, has already cut its workforce by half and will have to shed more workers; its new range has led to rising orders, but break-even is two or three years away.

Although management capacity is in short supply in the east, firms like Hartmann and Roland Berger have tried to recruit east Germans as consultants. Hartmann took a nucleus of six people from a local unit of the big Robotron electronics concern for its Erfurt operation. "You can't just send in managers from the west," says Mr. Schwarz. "They don't have the feeling for local conditions. They are seen as know-all." As Mr. Knecht pointed out in Berlin, east Germans' experience with consultants has not always been favourable. "Pseudo-consultants" flocked eastwards to earn quick D-Marks. Some are still around, but it is the heavyweights and specialists among the consultants that are now most needed in the east.

Andrew Fisher

SPAIN

Much catching up to be done

IN THE second half of the 80s consultants became the trendiest professionals around in Spain and consultancies started to spring up like mushrooms on Castile's mountain ranges after the first autumn rains.

Anderson Consulting, a by-product of Arthur Andersen, had 1,400 consultants three years ago, has 3,370 at the latest count, and continues to hire 300 graduates a year. Small, specialised firms such as Harper and Lynch were one-person shows in 1988. That firm's founder, Kambiz Goharriz, now employs 40.

"The management consultancy market here is still immature, and the potential is huge," says Mannel Balmasa, chief executive in Spain of the US-based Ray consultancy group. Working the human resources niche, Ray's turnover has increased from \$2.5m three years ago to an expected \$6.5m-7m this year, and it has tripled its staff to 70 consultants.

The demand for expert advice goes right across the board of the consultancy business, and the common theme is that there is a lot of catching up to do. "Spain has ancestrally arrived late in everything and now suddenly it wants to get in early," says Jose Luis Carrascosa of Andersen Consulting. "We are a tortoise that is becoming a hare."

Domestic businesses were roused from their slumbers in Spain joined the European Community in 1986 and was startled out of bed when foreign firms made Spain a favoured investment target.

European membership and now the prospect of the single market has changed the goal posts on the playing pitch of Spanish business, and the play-

ers need new trainers to teach them the new market rules. "When there are great discontinuities, drastic changes such as the new European environment, there are typically important opportunities for those who offer outside expertise," says Manuel Carrascosa, chief executive of McKinsey in Spain.

"Europe was a catalyst. Suddenly a business discovered that a French company was opening up next door and that a German firm had acquired one of its rivals," says Assis Martin-Oar, the senior industrial marketing executive at Sofemasa, the Spanish arm of France's Sofres. "Overnight, the Spanish business faced new problems and new public strategies that threatened its livelihood and so it came to people like us to sort out its problems."

The auditing branch of the consultancy business has boomed because the implementation of EC directives has forced domestic firms to professionalise their balance sheets. The introduction of information systems is a second high growth area and a company such as Anderson Consulting can have as many as 100 of its partners depending at least a year permanently seconded to a firm that is overhauling its hardware.

Companies specialising in broad business strategy have found rich pickings in an environment marked by mergers and acquisitions and where, as one senior consultant put it, "there is still everything to be done." McKinsey, traditionally discreet about its operations, admits to a consistent and sustained growth of its business in Spain.

Arguably the most creative



and most complex area of the consultancy market in Spain concerns human resources. "There is real leverage to be gained simply from transferring management skills from north to south," says Anthony Pralls of the Boston Consulting Group. "There is a big demand from firms which want to know how things are done in Europe and consultants who can provide comparisons have a lot to offer."

Skills and tricks, ranging from the introduction of new products to the market segmentation of existing ones, can pay immediate dividends.

The complexity sets in when firms and their consultants face up to the rigidities of a managerial tradition in Spain that is the antithesis of the flexible and decentralised management of the 80s. Employees in general adhere to a highly regulated system of job classifications and also to extensive labour laws that protect against dismissals which evolved during the Franco period of economic autarky, and have stoutly lived on in a

new democratic and market-orientated climate.

"You are up against changing a corporate culture that revolves around what you do and not how you do it," says Enrique de Mulder, the human resources expert at the Ray group. Salaries in Spain are structured to the person and his or her seniority and not to the job. Job evaluations and performance appraisals, incentives and bonuses are all new notions in the Spanish environment. While the pace of foreign investment in Spain may have ebbed, the consolidation of such acquisitions requires considerable industrial relations expertise.

"Middle management, where you are anchored to their jobs and protected by a legal system, is very problematic," says Kambiz Goharriz, chairman of Harper and Lynch. "There is a terrible inertia and you come across reasons that have their hands tied because they cannot afford the dismissal payoffs."

The firms that call in outside help find a second problem when it comes to meeting the fees that govern the consultancy business. Ray's chief executive, Mr. Balmasa stresses that the future of the consultaria business depends on one level on changing what is a necessity for expert advice into a demand for it. On another, it rests on the ability of the consultants to improve the quality of their services.

The onset of 1993 should step up the demand, and the growing regiment of consultores should, because of the sheer weight of its number, lead to increased competitiveness and improved services.

Tom Burns

OCIE set to stand on a few toes

PARVENU or threat. Mr. Christian D. de Foully would probably object to both appellations, yet he has ambitions for consultants in Europe which, at the very least, may well tread on the toes of FRACO.

Mr. de Foully is secretary-general of the Organisation des Consultants Internationaux Européens (OCIE), located in Geneva and founded in April this year.

OCIE has two aims:

- To become "the voice" of consultants throughout Europe and to represent and protect their interests in Europe; and
- To assist people of organisations especially the supranational organisations - in formulating their consulting needs

and finding the appropriate consultants. To the latter end, it plans to seek consultative status with the United Nations and its associated agencies, and the European Community.

Mr. de Foully says the benefits of belonging to OCIE are many:

- The organisation plans to publish an annual register of "international consultants";
- To represent its members in intergovernmental, non-governmental and regional organisations;
- To offer improved monitoring of consultancy opportunities offered by international agencies (the World Bank, and the like) and advise members on how best these business opportunities might be

taken advantage of; and

- To act as a clearing house for information concerning the profession.

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MANAGEMENT CONSULTANCY 8

Christopher Lorenz on a controversial thesis

Management of change

ASK almost any company, successful or struggling, to say which issues are at the top of its priority action list for the '90s, and it will declare that one of the highest is nothing less than the transformation of its corporate culture, organisation and behaviour. Such an all-round revolution is needed, it will argue, in order to cope with faster-moving competition, and other accelerating changes in the business environment.

Naturally enough, more and more consultancies and training organisations are also pouncing into the "change management" field as fast as they can go - only this week Ashridge, the British-based management education organisation, announced the formation of an "Institute for Organisational Change", based in central France.

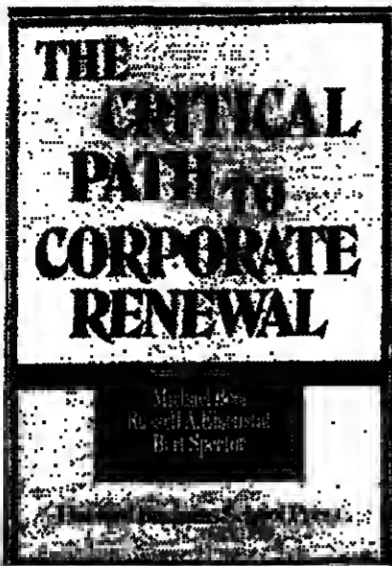
Quite a number of individual academics are also "converting" to the topic not just specialists in organisational behaviour and human resources, but also strategy experts. Some of them, at home and elsewhere, are internationally renowned, but not all: one does not need a first-class mind to spot both a huge consulting opportunity and a fascinating subject for study.

So it is not surprising that a book which appears to challenge most conventional wisdom about the management of corporate renewal has caused quite a stir in its home territory of the United States. Europe, too, has been feeling its first ripples since an article based on it appeared in the Harvard Business Review just before Christmas. At almost any seminar on change management this year, the book has proved a controversial talking point.

On close inspection, however, it is not quite what it seems - not what the authors, academics Michael Beer, Russell Eisenstat and Bert Spector, have claimed it to be.

Beer and company certainly summarise their message at the start of the book in eye-grabbing fashion. They claim that:

■ Starting corporate renewal at the top is a high-risk revitalisation strategy not employed by the most successful companies.



■ Change efforts that start by creating corporate programmes to alter a company's management culture are inherently flawed, even when supported by top management.

■ Formal structures and systems are the last things an organisation should change when seeking renewal - not the first, as many managers assume.

■ Effective changes in the way an organisation manages people do not occur by changing the organisation's human resource policies and systems.

■ Organisations should start corporate revitalisations by targeting small, isolated, peripheral operations, not large, central, core operations.

■ It is not essential that top management consistently practise what it preaches - "walks as it talks" - in the early stages of renewal, although such action is undoubtedly helpful.

These claims are certainly refreshing and provocative, especially the first, second and last. But they are also decidedly thin compared with the body of the book, which is altogether more subtle. Time after time, it qualifies such

upfront statements. For instance, having castigated top-down "programmatic change", the authors go on to say that they mean that company-wide programmes are useless or even harmful "in isolation" - that these can play an important role, but that they need to be "offset" by interventions at the level of individual business units.

In other words, the book's definition of "programmatic change" is so narrow as to limit the validity of much of its criticism. Reading the book with care, one suspects the authors have indulged in the creation of "straw men" arguments in order to grab attention and make headlines. Either that, or the average American company (their target audience) is more prone to simplistic change programmes than its European counterpart: to the latter, much of what the book argues, in its fine detail, will seem commonsensical.

This is not to gainsay the book's value, as a comprehensive aide-memoire, either to a company already in the midst of change, or one contemplating how to spark such a process.

Its most fundamental point strikes at the weakness of most existing change efforts: their reliance on altering people's behaviour by first changing their knowledge and attitudes.

In reality, the authors argue forcefully, the key to successful revitalisation is a redefinition of work roles, responsibilities and relationships, in order to align them with the main competitive challenges of the business. This "task alignment" (realignment would have been a more precise word for this concept, which runs like a leitmotif through the book) will force new behaviour on people, thereby changing their attitudes.

"Task alignment" differs from programmatic change partly in that these changes are made without first modifying the organisation's formal structure, say Beer, Eisenstat and Spector. In this they echo an emphasis on informal reorganisations which has become a running theme of management literature in the last few years.

A second very useful insight is the

book's secondary leitmotif, of three Cs: co-ordination (the need for cross-functional teamwork if an organisation is to find, and act quickly upon, opportunities to improve the cost and quality of its products or services); commitment (throughout the organisation); and competence (again universal).

There is also considerable merit in the book's advice to top and senior managers on:

■ How to create a climate for change;

■ How to mobilise energy (with a so-called "velvet glove" that looks mighty heavy by the standards of participative European companies); and

■ How each leader or manager can develop a mixture of "hard" and "soft" behaviour which is convincing, rather than inconsistent.

Two other helpful maxims are tucked away deep inside the book. First, that "to follow the critical path successfully, an effective leader must be clear about ends but flexible on means". Second, that at any level of an organisation, "revitalisation occurs only when there is a consensus among key organisational members that its benefits outweigh its risks".

Principles such as these are just as applicable in organisations with a considered, differentiated approach to renewal as in those which have fallen for the Beer trio's *leitmotif* of crudely "programmatic" change.

But one's caveats remain. Especially irksome is Beer and company's apparent provision of carte blanche for corporate top managers not to bother, in the early phases of renewal, to force themselves to practise what they preach (a precept which for years has been deemed fundamental to change management). The book later makes clear that this degree of latitude applies only to corporate management, not the heads of divisions or business units.

Moreover, having declared that renewal can hardly ever be successful if initiated from the top, the authors go on to concede several times that this is perfectly possible, provided the top has the sense to plant the initial seeds of change in selected units far from head office, rather than blundering right across and down the organisation in a fully frontal fashion.

Any one of the [corporate] actors can begin the process of revitalisation, just so long as each recognises its own limitations, the trio concludes.

The Critical Path to Corporate Renewal by Michael Beer, Russell A. Eisenstat & Bert Spector, Harvard Business School Press, £19.95, US\$24.95.

Wilf Altman looks through the literature

What's new on the bookshelves

IT SEEMS appropriate to start this round-up of some of the more impressive recent books on management with a brand new ringside view of this booming industry which now penetrates most boardrooms in Britain:

Management Consultancy - The Inside Story

by Clive Bassam and David Oates (Mercury Business Books, £25.00). The authors have probed diligently, talking to a wide range of consultants and clients, profiling some leading consultancies and offering a selection of illuminating case studies which seek to supply the answer to the question why some of the world's most successful companies have an apparently insatiable appetite for outside expertise.

Expertise is, of course, the key, and it applies to such new developments as IT and other specific management disciplines, but also independent, objective advice, especially at times of boardroom upheavals, and a preference for outside help in cases of restructuring, trimming excess fat and planning new strategies.

Price Waterhouse was the first of the "big eight" UK accountancy practices to enter the management consulting arena deliberately in 1948. Today, significantly, Neville Chedoke, the senior partner of the firm's management consultancy division, which has joined as an engineer, advising clients on production and stock control systems.

Accountancy firms apparently started to move into management consulting as long ago as the late '20s when companies in financial difficulties were referred to them by the Bank of England and City institutions. To the extent that the City is now far more concerned about companies in significant institutional funds at risk, future prospects for consultancy, whether supplied by the big names in the profession or by the growing army of independents, appear rather promising.

Modern Competitive Strategy

by Sharon Oster (Oxford, £24.00). Are academic economists really competent to analyse the harsh realities of markets and competition in the turbulent '80s and '90s? What this book is clearly concerned with - and examines with some insight - are the values of a range of management concepts and principles, especially strategic planning. Strategic planning is claimed to be a way of informing and improving the choices which can be made by an organisation. It's about creating and managing change, although the author admits that such planning was often ineffective in the USA in the '70s and '80s because it failed to offer a formula for making money.

Understanding Company Strategy

by Brian Houlden (Blackwell, £18.50). "Plans which are based on numbers projected into the future are worthless," Sir Adrian Cadbury writes in his erudite foreword. "Since the numbers will be wrong in any case," he argues, "extended budgets of this kind remain untouched in desk drawers which is the best place

for them. What matters is the thinking behind the numbers."

The book's focus is on practical examples of strategy, or lack of it. Why, for example, did Cadbury Schweppes diversify and buy Typhoo and Jeyes? And why did it take so long to divest and improve performance? How did Jaguar plan a successful new strategy? What influenced ICI's development of a more strategic direction?

Thinking strategically may appear as difficult as fighting for growth when the name of the game is survival, but the author makes the most convincing case yet why strategy and strategic planning are critical to success.

Successful Business Operations

by Len Hardy (Blackwell, £25.00) complements an earlier work, *Successful Business Strategy*, and is unashamedly about winning, by a man who achieved success with a corporate trading giant in one of the toughest marketing battlegrounds known.

What the former chairman of Lever Brothers offers is not so much the art and thrust of battles fought and often won, but a step-by-step textbook approach based on his considerable distilled experience as well as a no-nonsense rundown of the interplay of marketing techniques employed in a variety of situations which form the book's chief strengths.

Charting the Corporate Mind

by Charles Hampden-Turner (Blackwell, £16.65) roams the field in stimulating style from white products to motor insurance, from television sets to personal computers, from Europe to America and from West to East, in order to examine how strategic dilemmas are best resolved. Mr Hampden-Turner and Morgan would have been appropriate today when the process of incremental innovations rather than giant leaps forward is needed.

The result is a fascinating study of management at Shell Oil, Apple Computers, Hannover Insurance, Hotpoint, Creda, Thorn and others. The author's aim is to broaden the definition of intelligent corporate thinking and action to include more than technical rationality "which tries to identify the most logical and efficient means to achieving the goals set for the organisation".

The Employee Revolution

by Kevin Thompson (Pitman, £24.95). Just what, it may be asked, is corporate internal marketing? Thompson's explanation is that "just as external marketing is claimed to be a way of informing and improving the choices which can be made by an organisation, internal marketing is the concept of corporate internal marketing is that highly sophisticated marketing techniques normally targeted at external customers - to persuade them to buy a product or service - can be used to great effect on employees. This dramatically improves their understanding of an organisation's objectives, plans and action, thus raising motivation and productivity, reducing staff turnover and absenteeism, creating better teamwork and less resistance to change. Will marketing executives rather than personnel executives now seek to win the hearts and minds of the newly enlightened workforce?

Competent to Manage

by Mick Silver, ed. (Routledge, £35.00). Contributions by 25 top managers, academics and consultants combine to underline the scale of the problem of training for managers and entrepreneurs examined in this book, and "the lack of the draw" for those who benefit from the right mentors. Yet how can any formal management training teach innovative, entrepreneurial and creative skills?

Professor Charles Handy's development of managers is still a muddle. "There is much that is good in what is currently done, but there is no clear pattern of consistency. It is hard for a young man or woman to know how best to prepare themselves for a business career or for management. It is hard for a firm to know what they should expect by way of pre-entry preparation and what they should do thereafter to help someone develop. Because it is unclear, too many young people and too many firms do nothing."

Entrepreneurship Education

edited by Calvin A Kent (Greenwood Press, £35.95) affirms that although Britain's diverse routes and views on training for management are almost clear cut compared to the provision of entrepreneurship education programmes in the States, the same critical attitude permeates the debate. A veritable explosion of courses aims to develop an entrepreneurial attitude at all stages of the educational process.

A notable contribution argues whether the views of Austrian economists Schumpeter, who equated entrepreneurship with innovation on the grand scale, *à la* Rockefeller and Morgan, would have been appropriate today when the process of incremental innovations rather than giant leaps forward is needed.

Joining the Inner Circle - How to Make it as a Senior Executive

by Ernest Auerbach (John Wiley & Sons, £19.95). Robert Townsend, Mark McNamara and Tom Peters are now joined by a new American author with a down-to-earth success formula for "making it" on to the corporate ladder in the first place, surviving and succeeding in the senior ranks. This book is aimed at the highly ambitious, and offers a very readable step-by-step guide and a game plan for winning for those who really want to make the high time in large corporations.

Auerbach writes from considerable distilled experience. A lawyer by training and a former US Army Colonel, he was President of New York Life Insurance's Worldwide Holding Inc. and has also held executive and legal positions with Xerox, NL Industries and INA. The fact that he has also held senior appointments in Europe brings a neat global touch to a narrative which might otherwise have proved banal in today's competitive international business setting. What makes Auerbach's approach of particular interest is his analytical breakdown and commendable personal philosophy and style.

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INSIDE

Hanson profits edge ahead in first half



Hanson, the acquisitive Anglo-US conglomerate, has reported a 2.2 per cent rise in interim pre-tax profits to £588m (\$1.01bn). Most of the growth came from its US industrial division which included a six-month contribution from Peabody Coal, the mining company acquired in April 1990. Hanson is looking for further takeovers, although Lord White (left), who heads the group's US businesses, said that current share prices failed to reflect the lower earnings that many companies were now reporting. Page 28

Union sets tough test



Chile's year-old civilian government is this week facing its most critical labour issue so far. The Copper Workers' Confederation will be pressing for large wage increases when pay talks begin with the state copper corporation, CODECO. After General Augusto Pinochet's 16-year dictatorship, the unions are bristling to test their strength. Lesley Crawford reports. Page 30

Last stitch stand



At lunchtime on Friday hostilities will cease between textile groups Coats Viyella and Tootal. That is when votes will be counted to see whether Coats has won enough shareholder support to win control of Tootal. Alice Hawthorn reports. Page 28

Tender mercy from Ministry

Tenders are not often used in Japan, but a concession by the Ministry of Finance could make them more popular. The Ministry will allow Japanese investors to submit bids for shares in the two Scottish electricity companies to be privatised this month, at the same time as applying for them at the fixed price in the offer. Claire Pearson reports on how the Ministry has relaxed regulations on public offers. Page 24

Two US insurers file for protection from creditors

First Executive Corporation, which takes in the Executive Life unit in California and the smaller Executive Life of New York business, has filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code in the Los Angeles courts. Also, Citicorp and other senior lenders to First Capital Holdings, parent company of San Diego-based First Capital Life Insurance, filed an involuntary bankruptcy petition, to place FCH in Chapter 11. Page 22

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Rhone	1150	Paris	705
Industrielle	570	Paris	554
Montevis	570	Paris	554
Paris	1025	Paris	554
Calsonic	155	Paris	554
Continental	155	Paris	554
Harvey Lloyd	400	Paris	554
Phospha	870	Paris	554
NEW YORK (USD)		NEW YORK (USD)	
Amer Express	25 1/2	Delta	1440
AT&T	25 1/2	Delta	1440
Chrysler	25 1/2	Delta	1440
Exxon	25 1/2	Delta	1440
General Motors	25 1/2	Delta	1440
LONDON (Pence)		LONDON (Pence)	
Adia	475	Adia	475
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28
Adrian	28	Adrian	28

Continental divided on Pirelli talks

By Katherine Campbell in Hanover

SENIOR officials at Continental, the German tyre maker which last week saw the sudden departure of its chief executive, yesterday made public their disagreement about the aims of the company's talks with its Italian tyre rival, Pirelli.

Board members appeared principally divided about whether a merger of the two businesses constituted the ultimate goal of talks due to start at the end of the week.

Only days after Mr Horst Urban, the chief executive, resigned, the new speaker of the managing board, Mr Wilhelm Winterstein, attempted to downplay any change in company

strategy. "We will sit down [with Pirelli] at a common 'round table' without preconditions, and discuss possibilities for mutual co-operation," he said.

He added that the absence of preconditions meant that Pirelli's original proposal for a merger, ultimately giving the Italian group control, had now been withdrawn.

Mr Winterstein argued that a merger made "no economic sense whatsoever", given the uncertain direction of both companies' earnings in coming months.

Mr Ignolf Knaup, the finance director, complained that the Italians had still not disclosed the

identity of their supporting shareholders, which at one stage allegedly represented 51 per cent of Continental's capital.

Mr Winterstein has been appointed as the more egalitarian "speaker" rather than with Mr Urban's former title of chief executive. Yesterday he heard other board members speak more positively of the Pirelli talks.

Mr Günter Sieber, responsible for tyre marketing and sales and who will accompany Mr Winterstein at the first round of talks, described as "progress" the fact that both sides could talk about "all forms of cooperation".

He said Mr Winterstein was stressing the short-term disad-

vantages of a merger. That was quite different from dismissing the longer-term possibility.

The head of ContiTech, Mr Peter Harverbeck, also saw as positive the fact that personal frictions between Mr Urban and the supervisory board were past.

However, Morgan Grenfell, the UK advisors called in by Mr Urban to repel the Italian's initial approach, have been retained.

While a central point of Continental's original Pirelli rebuff had been its stronger earnings, the Germans yesterday revealed that net income for 1991 would be "clearly down" on 1990.

That would affect the dividend, the company said. Continental

halved its dividend to DM4 a share for 1990 after a 59 per cent decline in net profits to DM33.4m.

The poor outlook for earnings was blamed on the group's loss-making General Tire operation in America, faced with keen price competition and a fall in output in the US car industry.

For the first quarter of 1991, group tyre sales improved 14 per cent, but the D-Mark value of US sales fell back 14 per cent, giving, with a 22 per cent jump at ContiTech, the non-tyre operation, a 94 per cent growth in total group sales to DM2.2bn.

For the whole of 1991, Continental expects sales to improve by about 10 per cent to DM9.4bn.

In for the kill or a motive for merger?

Clive Cookson looks at the secret buyer of ICI shares

If Imperial Chemical Industries lives up to its old reputation as the bellwether of British industry, and if the UK economy is indeed on the brink of a revival - then the timing of yesterday's mysterious ICI share buyer could be masterly.

"I suspect that the second quarter of 1991 will be the nadir for ICI and that there will then be a slow recovery," said Mr Jeremy Chantry, chemicals analyst at Kleinwort Benson Securities. He is in the camp that believes "ICI is one of the best recovery plays for 1992".

Others feel that ICI's own structural problems and the overcapacity of the worldwide chemicals industry mean that its shares are overvalued. For example, Ms Jinky Price of BZW said that at £11 the ICI share price already fully discounted a recovery in earnings before 1992.

Assuming that yesterday's buyer does not want to sit quietly on a 2 1/2 per cent stake in ICI, there are two possible motives for the swoop. It might be the first move by a predator such as Hanson which wishes to dismember ICI and sell off its constituent parts at a profit. Or it could be a strategic move by another international chemical group interested in collaborating with ICI or in buying a business.

Although mega-bids are out of fashion in financial and banking circles, "this might be Lord Hanson's crowning glory," said Mr Chantry. Hanson could come up with the £11bn (£19bn) that would be probably be required to bid successfully for ICI.

Anyone attempting to take over ICI would face intense political opposition. ICI's pull in the corridors of Whitehall and Westminster diminished steadily during the Thatcher years but, as Britain's largest manufacturing company, it still wields considerable influence. The unions would also campaign vigorously against a predator which threatened to run down ICI's 53,000-strong UK workforce faster than the company's existing management is already planning.



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"We do not see the long-term benefits of designing, unbundling or spinning off business units," Sir Denis said in an interview with the Financial Times in February. "When you look at the successful German, Swiss and American chemical groups, none of them is talking about unbundling or spinning off business."

A UK-based buyer such as Hanson, BTR or Shell could probably overcome the political obstacles and take over ICI, but only if it paid enough to win over the financial institutions and the company's loyal private shareholders. A foreign company, even from the EC, would probably find these obstacles insuperable.

"Whatever you think of ICI, chemicals are one of Britain's few industrial success stories," said one analyst. "There are very few other sectors in which one of the world's top five companies is British."

If the buyer is another chemical group wanting to press ICI to agree to a joint venture or business deal, then the most likely target is ICI Pharmaceuticals. The drugs business is widely seen as ICI's most prized possession. In 1990, it contributed 47 per cent of ICI's profits on just 11 per cent of group turnover.

ICI Pharmaceuticals would be a tempting partner for a chemical group which wanted to build a global drugs business. If combined with a similar-sized drugs company, ICI Pharmaceuticals would provide a solid base to take on giants such as Merck and Bristol-Myers Squibb of the US, or Glaxo and SmithKline Beecham of the UK.

Daimler-Benz to cut costs as profits rise 4% in quarter

By Andrew Fisher in Frankfurt

DAIMLER-BENZ, the German motor, aerospace, and electronics group, has embarked on an ambitious cost-cutting programme to strengthen its profitability in the face of currency fluctuations and rising domestic costs.

"By 1995, we plan to save roughly DM45bn (£6bn) a year," Mr Edgar Reuter, the chief executive, said. He gave no details, but said all parts of the group would be affected. In the long term, it could mean group employment would grow abroad, but not in Germany.

Daimler yesterday announced a 4 per cent increase in group net profits to DM420m for the first quarter of 1991. Turnover was also 4 per cent higher at DM19.8bn. European Community sales were 12 per cent higher at

DM13.4bn, with all the growth coming from Germany. Foreign sales suffered from economic downturn and the continued weakness of the dollar and yen.

Last year, the strength of the D-Mark against the dollar and the yen lopped DM2bn off sales. Turnover in 1990 was 15 per cent higher at DM51.05 to DM47.90. Mr Gerhard Liener, the finance director, said: "There is no reason why we should be satisfied with them." Cash flow, however, was 12 per cent higher at DM6.7bn.

To stem losses at its AEG electronics subsidiary, the group hopes to agree the partial sale of its Olympia office equipment unit.

Mr Reuter expressed optimism about the current year. He said he expected Daimler's conservatively calculated operating profits to turn up again. Turnover for the year should be 10 per cent higher at DM94bn. "The dry spell is not yet over, but its end is approaching and we expect profitability to improve."

In 1990, earnings per share were down from DM51.05 to DM47.90. Mr Gerhard Liener, the finance director, said: "There is no reason why we should be satisfied with them." Cash flow, however, was 12 per cent higher at DM6.7bn.

To stem losses at its AEG electronics subsidiary, the group hopes to agree the partial sale of its Olympia office equipment unit.

Ford UK falls into £274m loss

By Kevin Done, Motor Industry Correspondent, in London

FORD of Britain, the UK subsidiary of the US car maker, suffered a dramatic financial reversal last year plunging into a pre-tax loss of £274m (£424m) from a pre-tax profit of £483m in 1989.

The company said yesterday that it was still operating at a pre-tax loss in the first quarter. Mr Bill Brooks, finance director warned: "If we project forward from where we are today we will not make a profit in 1991."

The pre-tax loss, the first since 1971, was influenced by the financial burden arising from the US carmaker's £1.56bn takeover of Jaguar, the UK luxury car producer, at the end of 1989.

This acquisition was formally carried out by Ford of Britain, which its troubled US parent company has left to carry the financing costs and to absorb Jaguar's heavy operating losses. Ford itself is running up losses

on its North American automotive operations and has chosen not to inject fresh equity to strengthen the stretched balance sheet of the UK operations.

Ford of Britain said that its £274m pre-tax loss took into account a \$56m pre-tax loss by Jaguar and interest (£235m) and goodwill (£34m) costs arising from the takeover.

Operating profit, before interest charges and other financial items, fell 73 per cent to £136m from £499m. The operating performance would have been even worse but for a change in the method of accounting for depreciation which resulted in an £84m credit to the operating profit.

Excluding its non-automotive businesses and the impact of the Jaguar acquisition, Ford of Britain said its pre-tax profit fell by 87 per cent to £61m from £483m in 1989.

The group made a record pre-

tax profit of £573m in 1988, and its second-best ever profit of £483m in 1989.

Mr Derek Barron, chairman and chief executive of Ford of Britain, was forced to take a second successive pay cut last year by 30 per cent to £214,086 from £305,884 a year earlier and £333,357 in 1988.

Excluding Jaguar, Ford yesterday blamed its financial set-back in 1990 on the "effects of a weakening market resulting from a deepening recession combined with lower production volumes because of industrial action."

Its performance was in sharp contrast to other leading car-makers operating in Britain. Vauxhall, the subsidiary of General Motors of the US, Rover, the British Aerospace subsidiary, and Peugeot-Talbot, the subsidiary of Peugeot of France, suffered only modest profit declines in 1990 of less than 15 per cent.

Generali issue aims to raise L1,760bn

By Haig Simonian in Rome

ASSICURAZIONI Generali, Italy's biggest insurance group, is raising about L1,760bn (\$1.4bn) through a complex rights issue involving 145.75m new shares.

The shares will be issued at L12,000 each. The company will also issue new warrants on a one-for-four basis.

Generali, which is one of the bidders for part of the business of the UK's Export Credits Guarantee Department, gave no indication as to how it intended to use the new funds.

In a variation of its dividend policy, the group is paying L160 per share, against the L350 per share dividend and one-for-10 bonus share which was paid the previous year.

However, the latest dividend also includes one free savings share in Allianz, the life insurance group controlled by Generali, for every 250 Generali shares held.

Based on current market prices, the value of the total payout would be 14.9 per cent above that made the previous year, according to Generali.

Net profits last year fell to L351.2bn from L390.2bn in 1989. The setback, largely expected, reflects the increasingly heavy underwriting losses affecting most of Italy's big insurers, on motor and fire insurance in particular. The company gave no figure for consolidated group profits last year.

Generali made some L162.1 bn profits on the sales of securities, and a further L24.5bn on property transactions last year. Group premium income, including inter-group reinsurance premiums, rose by 16.1 per cent to L15,835bn. Adjusted for disposals and other changes, the increase was 10.7 per cent.

Premiums at parent company level rose by 13.6 per cent to L6,253bn, of which L3,954bn derived from Italy and the rest from abroad.

Premiums on liability insurance rose by 11.8 per cent to L3,785bn, while life insurance premiums jumped by 16.3 per cent to L2,468bn.

Westdeutsche Landesbank, the German bank, expects 1991 group operating profit to be about 1990's DM600m (\$467m), Reuter reports.

Chairman Friedel Neuber said earnings in the first months of 1991 had been satisfactory. First quarter group operating profits of DM240m were 14 per cent above one quarter of the total 1990 results.

The bank's full results are to be released later this week.



ICI chairman Sir Denis Henderson, focusing on 'strong businesses which can play a truly global role'

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FT 15/9

INTERNATIONAL COMPANIES AND FINANCE

Allied-Lyons confirms its commitment to brewing

By Philip Rawstorne in London

ALLIED-LYONS, the UK drinks, food and retailing group, yesterday set out its new management strategy in an effort to restore investor confidence shaken by the £147m (\$254.31m) loss on its foreign exchange dealings earlier this year.

Mr Tony Hales, who takes over as chief executive in July, ended months of speculation by announcing that the group would remain in brewing.

At the same time, he sharpened the focus of Allied's food operations by announcing that Lyons Maid, its ice-cream business, and Saporio, its Italian bakery business, would be sold.

The appointment of a new group finance director is expected in the next few weeks. A

short-list of candidates has now been compiled.

The news, combined with a solid underlying trading performance revealed yesterday in the group's annual results, would reassure institutional investors, said analysts.

They suggested that the decisive approach of the new management team, to be headed by Mr Michael Jackman as chairman, would help restore confidence.

Some remained sceptical, however. Further evidence would be needed to judge the effectiveness of the new style, they said.

The market generally expects pre-tax profits this year to climb to £680m-£700m, and Allied's shares closed 2p up on the day at 532p.

The group had examined a number of options for its brewing operations, including disposal of the breweries and a variety of alliances. None generated the same value as continuing alone.

Allied's beer brands, brewing efficiency, and distribution network offered good profit growth potential and the brewing business generated strong, stable, positive cash flows - "a performance measure which will be given additional emphasis," the company said.

Compliance with government requirements to free 2,300 pubs from tied supplies was on target, he said. Some 600 had been sold and leases agreed for more than 400.

Lex, Page 18; Results, Page 28

Procordia rises 10% to SKr976m for quarter

By John Burton in Stockholm

PROCORDIA, the Swedish food and pharmaceutical group, yesterday reported that profits after financial items rose by 10 per cent on a pro forma basis to SKr976m (\$158m) during the first quarter of 1991, while sales rose 9 per cent to SKr9.57bn.

The result, which was expected, reflected progress in restructuring the company, primarily in the health care sector. The former state holding company Procordia was merged last year with Provend, the food division of Volvo, and Pharmacia, the pharmaceutical company controlled by the Swedish car maker.

Procordia said profits will exceed SKr3.5bn in 1991 against SKr2.08bn in 1990. The health care sector posted a 12 per cent increase in operating profit to SKr635m during the first quarter as sales climbed by 8 per cent to SKr3.54bn. This reflected a 22 per cent jump in operating profit for Kabi Pharmacia, Procordia's biggest subsidiary.

Operating profit fell, however, for the food group, Procordia's largest product sector, by 4 per cent to SKr356m, although sales rose by 12 per cent to SKr4.98bn.

L'Oréal agrees to German deal

By George Graham

L'OREAL, the leading French cosmetics group, has agreed to take over Dralio, the last independent German haircare products company.

Haarkosmetik und Parfumerien, L'Oréal's principal German subsidiary, will take over the capital of Dralio from the Breckwoldt and Dralio family shareholders.

Mr Frank Breckwoldt, chief executive of Dralio, had previously spoken of a stock market listing for the company, but German commentators suggested that pressure on earnings and the need for capital to invest in the hairdressing chain had prompted the family to sell out to L'Oréal.

M and S lifts profits 2% to £615m

By John Thornhill in London

STRONG growth in continental Europe helped offset recessionary markets in the UK and North America, enabling Marks and Spencer, the food and clothing retailer, to lift annual pre-tax profits 2 per cent to £615.5m (\$1.06bn).

An exceptional charge of £16m relating to the costs of the UK company's recently announced redundancy programme pegged taxable profits which would otherwise have advanced by 4.5 per cent. The figures were much in line with City expectations and the shares firmed up to 257p.

Mr Richard Greenbury, who last month succeeded Lord Rayner as chairman, gave a brusque and disarmingly open presentation of the company's prospects, but said he could not see an early end to the current recession in the UK.

"We think we are in for a longish, hardish, toughish time," he said.

In the year to March 31, group sales rose by 3 per cent to £5.77bn from £5.61bn, but operating profits were almost static at £633.5m against £627.7m. Profits were lifted at the pre-tax level by interest receipts of £13.3m compared with a payment of £3.8m the year before.

Sales in the UK and Eire tumbled sharply in the second half of the year but operating profits still rose to £603.1m from £597.6m.

Clothing sales rose by 2.2 per cent during the year with lingerie, underwear, hosiery and socks showing good gains. But tailored garments were badly hit as were sales of home furnishings and furniture. Food sales were 6.9 per cent ahead.

Turning to North American operations, Mr Greenbury admitted that M and S had probably paid too much for Brooks Brothers, the upmarket US clothing business, it acquired in 1988. He told analysts and journalists alike: "You were right; we were wrong."

But he emphasised that M and S had invested heavily in Brooks Brothers and now only needed to improve its computer systems. "It is fundamentally a business that can be developed and driven... We will get it right in the same way we got Europe right," he vowed.

Mr Greenbury said the company would also have to "bite the bullet" over its loss-making Canadian operations. "It is not right that we go on with that problem. We have to deal with

it on behalf of our shareholders and employees," he said. But he did not spell out what action the board envisaged.

Brooks Brothers saw its profits halve in dollar terms to \$11.1m from \$22.2m. Trading profits at the group's US supermarket chain, Kings, also fell to \$10.3m from \$11.4m.

Losses in Canada amounted to £57.7m (\$93.25m) compared with £38.8m the year before.

In sharp contrast, M and S's continental European operations rose strongly with sales up 24 per cent and profits up 36 per cent to £20.4m.

Earnings per share, before exceptional items, rose from 14.5p to 15.1p. The board is recommending a total dividend of 6.7p (6.4p), which represent a 5 per cent increase on the year. Lex, Page 18

Worms to simplify structure

By George Graham in Paris

THE Worms group, a French family-controlled conglomerate of financial, transport and industrial interests which range from the Wiggins Teape-Arjomari paper company to the Athena insurance group, is to undertake a complete overhaul of its structure with the aim of simplifying and clarifying its organisation.

The restructuring will result in virtually all Worms's stakes being owned directly by a single listed holding company. This company will change its name to Worms & Cie.

The Worms group's complex organisation disconcerted a number of British institutional

investors at the time of the merger of Wiggins Teape Appleton, the UK paper group, with Arjomari, its French counterpart in which Worms owns a controlling stake via a number of intermediate holding companies.

In order to carry out the reorganisation, the Worms family partnership will transfer most of its direct investments to Simer, a company for which Worms has maintained an almost dormant stock exchange listing.

These investments include its controlling stake in Pechelbronn, the listed company through which it holds most

of its industrial interests. It will then merge Pechelbronn with Simer, on the basis of one Simer share for three Pechelbronn.

The resulting company will own 34 per cent of Saint Louis, 99 per cent of Athena, 45 per cent of Compagnie Nationale de Navigation, a shipping company, and 42 per cent of Arc Union, the Worms family's property arm. It will also have 66.6 per cent of a holding company which in turn controls 50 per cent of Demachy Worms, the group's investment bank.

The Worms family will end up with 41.7 per cent of the new company.

Elf set to increase market share

By George Graham

ELF Aquitaine, the French state-controlled oil group, has received permission from the French government to acquire two domestic importers and refiners of petroleum products.

The approval of the purchase of Les Fils de Jules Bianco and of Compagnie Commerciale et Pétrolière de l'Ouest (CPO), is conditional on the sale of some bulk storage centres.

The decision of the French competition authorities follows 10 days after Elf received the go-ahead from the British Monopolies and Mergers Commission for the acquisition of Amoco's UK petrol station and refinery interests.

The acquisition of Bianco and CPO will strengthen Elf's position as leader in the distribution of refined petroleum products, lifting its market

share to 25 per cent from 18 per cent.

Elf said that the acquisitions would allow it to go ahead with investments at its refineries at Donge and Feyzin by increasing its retail outlets near the plants.

While principally present in the wholesale market for products such as domestic fuel oil and diesel, Bianco and CPO also have retail petrol outlets.

Volvo Car sees 'difficult year'

By Our Financial Staff

VOLVO CAR, the Dutch car maker in which Mitsubishi Motors of Japan is shortly to take a one-third stake, expects 1991 to be a tough year.

Mr Andre Deleze, president, said: "We know that 1991 will be a difficult year. We will be doing well if we have any positive result."

This month, Sweden's Volvo and the Dutch government agreed to accept Mitsubishi Motors as a joint shareholder in Volvo Car. The company is currently owned 70 per cent by Volvo and 30 per cent by the Dutch state.

Volvo Car made a net loss of £175m (\$38.8m) in 1990 compared with a net profit of

£155.1m a year earlier. It was hit by the recession in Europe when it was phasing in a new and more expensive model.

Sales dropped during the Gulf war, and in the first weeks of 1991 ran 25 per cent below earlier projections. After 12 weeks, the lag was 20 per cent and after 17 weeks 15 per cent, the company said.

Company officials stressed that talks on the new ownership structure were by no means complete, and declined to go into details on negotiations with Mitsubishi on production of a joint car.

Officials explained that Volvo Car wanted co-operation on more than one project and

was also keen to secure common parts sourcing with Mitsubishi to reduce costs.

Norwegian investor Mr Torstein Hagen said he would join other shareholders and try to block the 1990 accounts of Nedlloyd, the Dutch loss-making shipping and transport group.

Mr Hagen controls around 23 per cent, but claims to speak for more than 50 per cent of the ordinary shareholders.

"The only action shareholders can currently take to express their dissatisfaction over the policies pursued and the attitude towards shareholders is to withhold approval of the annual accounts for 1990," Mr Hagen said.

Adia to replace chief executive

By William Dullforce

MR YVES PATERNOT is being replaced as chief executive of Adia, the big Swiss-based employment and services group, less than three months after control of the group passed into the hands of Mr Klaus Jacobs, the Swiss businessman, and Asko Deutsche Kaufhaus, the German retailing group.

His departure, announced yesterday, indicates that Mr Jacobs intends to run Adia

under tight control. Mr Paternot is being replaced by Mr Nico Isenmann, who until the end of December was general manager of the Fobler subsidiary of the Jacobs Suchard chocolate and coffee group.

Mr Jacobs made a cash gain of SF2.2bn (\$1.39bn) when he sold his controlling interest in Jacobs Suchard to Philip Morris, the US foods and tobacco group, last year.

Mr Paternot steps down on June 12, when the board will be reconstituted at an extraordinary shareholders' meeting.

Last year, Adia recorded a 42 per cent fall in net profits to SF115m.

ABB sticks to forecast after advance of \$5m

By William Dullforce in Geneva

ASEA Brown Boveri, Europe's biggest electrical engineering group, yesterday reported a rise of \$5m to \$344m in pre-tax profits in the first quarter and said it was sticking to its forecast of at least maintained full-year earnings after financial items.

Economic slowdown in many parts of the world was having a negative impact on demand for some products, ABB said. However, internal restructuring, particularly in North America, and improvements in productivity continued to reinforce earnings.

First-quarter turnover amounted to \$5.34bn, up by 4 per cent from the first three months of 1990.

Incoming orders rose by 2 per cent to \$7.74bn, good increases being reported by the power plant, power transmission, power distribution and industry segments.

Group operating profit at \$390m was up by 17 per cent on that of the first quarter of 1990, despite an increase from \$180m to \$200m in depreciation charges.

Last year, ABB posted a 21 per cent rise to \$1.1bn in pre-tax earnings on a turnover of \$26.7bn.

This announcement appears as a matter of record only.



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SOCIÉTÉ NATIONALE ELF AQUITAINE
GLOBAL SHARE OFFERING

SNEA has made an application to list its ordinary shares represented by American Depositary Shares on the New York Stock Exchange and plans to make a global share offering of around 7.5 million newly issued shares. The listing and offering are intended to widen share ownership and provide SNEA access to the U.S. market.

The offering will be made simultaneously on the French, International and United States markets. In order to allow a simultaneous placement in each of the three markets, there will be no preemptive rights for existing shareholders and no priority subscription period. Funds raised from the offering will be used for general corporate purposes.

The details of the offering, including the price, will be determined by Elf's Board of Directors at a special meeting to be held on June 10th, 1991. The date for the launch of the offering will be subject to general conditions in the financial markets and is therefore subject to change. The French and international subscription period is expected to run from June 11th to June 13th, inclusive, in all three markets and may not be closed prematurely. New shares will qualify for dividends paid in 1992 based on 1991 results.

The offering will be underwritten by syndicates led by Banque Nationale de Paris with respect to the French offering, Paribas Limited with respect to the international offering and Goldman Sachs & Co. with respect to the U.S. offering. Paribas Limited and Goldman Sachs International Limited are global coordinators of the combined offering.

Applications have also been made to list the newly issued shares on the Paris Bourse and on the Brussels, Luxembourg, Frankfurt, Düsseldorf, Basel, Geneva and Zurich stock exchanges when the offering is completed. Until the closing of the combined offering, trading will be on a "when issued" basis.

Subject to certain exceptions, the shares offered in the French and international offerings may not be offered or sold within the United States. ■

elf aquitaine

INTL. COMPANIES AND FINANCE

Adsteam wins breathing space with debts freeze

By Kevin Brown in Sydney

THE TROUBLED Adsteam group, formerly run by Mr John Spalvin, gained a seven-month breathing space yesterday when its 100 banks agreed to freeze debts of more than A\$60m (\$4.80bn) until the end of the year.

In addition, the National Australia Bank agreed to make a standby facility of A\$100m available to cover the working capital requirements of Adelaide Steamship, David Jones and Tooth, the three main companies in the loosely-knit group.

The debt rescheduling will give Adsteam time to negotiate long-term refinancing, probably involving the sale or independent flotation of most of the group's assets.

However, it was not clear whether the agreement would be sufficient to persuade the Australian Stock Exchange to allow trading in the shares of the main group companies to restart.

David Jones Adelaide Steamship, and Tooth were

suspended more than a week ago after the collapse of earlier negotiations between the companies and the banks on long-term restructuring proposals.

Adsteam said it expected a detailed reconstruction plan to be completed within three or four months by Bankers Trust Australia, the merchant bank, which has been appointed with the approval of the banks.

If Bankers Trust fails to come up with an acceptable scheme, most of the group's companies are likely to be put into liquidation when the moratorium expires on December 31.

Mr Neil Branford, Adelaide Steamship's secretary, said shareholders would be able to participate in the liquidations of any of the group's companies which might be brought to the market.

This would include the flotation of Woolworth's, the successful supermarket business owned by Industrial Equity, a jointly-owned subsidiary of

Adelaide Steamship, David Jones and Tooth.

Adsteam has already announced plans to raise just over A\$400m by selling several food businesses owned by Industrial Equity to National Foods, a new company to be floated on the Australian market.

Mr Branford said shareholder value in Adelaide Steamship, David Jones and Tooth was "at best, low" and could fluctuate significantly because of the burden of debt.

However, he said sales or liquidations of assets would be undertaken "in an orderly fashion, and not at fire sale prices".

Mr Branford said Mr Spalvin, who was fired as group managing director in March after revealing a consolidated interim net loss of A\$1.2bn, will leave the company on June 5. However, Mr Branford and Mr Michael Kent, finance director, will remain with the group until the end of the debt moratorium.

Dutch merger backed by Internatio investors

By Ronald van de Krol in Amsterdam

SHAREHOLDERS representing 21 per cent of the share capital of Internatio, the diversified, Rotterdam-based transport and trading group, have come out in support of a plan by First Pacific of Hong Kong to merge Internatio and Hagemeyer, the Dutch trading company.

First Pacific, which owns 89 per cent of Hagemeyer, disclosed last week that it had built up a stake of 43.2 per cent in Internatio and that it wanted to merge the two Dutch-based companies.

Van Doorn Trust, a trust company in Amsterdam which says that it holds 15.1 per cent of Internatio, has also come out in support of the unnamed institutional investors, said yesterday that it backed the merger proposal.

Mr Andrew Land, the chairman of Hagemeyer, said that he had received support in writing from shareholders representing a further 6 per cent

of Internatio's ordinary share capital.

Last week, Internatio said it saw no benefits in a merger, but it agreed to commission a study by ABN Amro Bank.

The company also immediately issued 5.59m preference shares to protect it against any unfriendly takeover attempt. Because of the anti-takeover protection available to companies in the Netherlands, Internatio cannot easily be forced into a merger against its will even if a majority of shareholders say they are in favour.

But the fact that nearly 65 per cent of shareholders support the merger will put Internatio under pressure to agree if ABN Amro's study proves positive. The study is expected to be completed in several weeks.

First Pacific and Hagemeyer have said that their intentions are friendly and that they will pursue the merger if Internatio's board remains opposed.

Metra's plunge into red blamed on recession

By Enrique Tessier in Helsinki

METRA, the Finnish diesel engine, auxiliary equipment and building materials group, yesterday reported a decline into loss for the year ended February 1991.

The company, which was formed by the merger of Lohja, a building materials group, and Wärtsilä, the diesel and shipbuilding company, suffered an after-tax loss of FM25m (\$860,000) compared with a profit of FM315m.

Group sales rose by 10 per cent to FM8,576m. At the pre-tax mark, profits fell to FM129m from FM340m in the previous year.

Metra blamed the drop in profits on the Finnish recession, which had affected the construction business in general and the performance of its building materials division in particular.

The board plans a dividend of FM2.80 a share. It will also seek authority to increase Metra's capital by FM60m convertible and warrant bond issues.

Group operating margin fell to FM66m from FM58m, or from 15 per cent of net sales to 10 per cent. Capital spending during the year totalled FM788m against FM2,018m.

Schindler expects 10% decline

SCHINDLER, the Swiss elevator group, expects profit to decline by around 10 per cent this year, AP-DJ reports.

The company said the market in the first few months of this year had contracted, especially in the US and in the UK, although other countries, such as Germany and Switzerland, were seeing acceptable levels of business.

Poor order volumes and squeezed margins have not left the company pessimistic, however.

"We're going through the recession prepared and strengthened," it said. In 1990, group net profit was SFr133.6m (\$92.70 at current rates) up 20 per cent from 1989, and parent net profit was 8.4 per cent higher at SFr52.4m.

Citizen Watch climbs 40% as sales surge in main markets

By Emiko Terazono in Tokyo

CITIZEN WATCH, Japan's leading watchmaker, posted a 40.2 per cent rise in pre-tax profits to ¥21.2bn (\$152.51m) due to strong sales in all of its main operations.

The company, announcing non-consolidated results for the year to March 1991, said brisk consumer spending continued to support sales, which grew 26.9 per cent to ¥247.8bn. After-tax profits rose 40.9 per cent to ¥11bn.

For the current year, Citizen expects a moderate 2.9 per cent increase in sales to ¥255bn, and a 2.3 per cent rise in pre-tax profits to ¥21.7bn.

Sales of wristwatches, which account for half of revenue, rose 25.4 per cent to ¥118.1bn, while strong demand for automatic ladies increased sales of industrial machinery, which advanced by 20 per cent to ¥31.7bn.

Sales of the information equipment and parts division rose to ¥35.6bn, up 55.8 per cent, with the 3.5-inch floppy disk drives soaring 103.9 per cent to ¥17.3, and notebook-sized personal computers rising 43.6 per cent to ¥14bn.

Citizen's electronic equipment and parts operations' sales increased 42.2 per cent to ¥29bn, on the back of demand for its liquid crystal displays and other display units.

Tomei agrees to take stakes in two HK units

TOMEI Industrial (Holdings) of Hong Kong has agreed to acquire significant minority stakes in two privately held local electronics-related companies for HK\$68m, (US\$8.73m), AP-DJ reports.

The rapidly-growing electronics maker said it had agreed to buy 22 per cent of Yanion, a manufacturer of metal moulds and cassette-deck mechanisms. Yanion recorded sales of HK\$200m last year and expects to earn at least HK\$37m this year.

Tomei also agreed to buy 15 per cent of S. Megga Telecommunication, a producer of cordless telephones, which expects to earn HK\$34m on HK\$600m sales in the year to June 30 1991.

The purchases, the prices of which were not disclosed, are part of Tomei's strategy of injecting venture capital into companies it does business with and then floating them on the stock exchange.

Aztec Mining plans A\$39m rights issue

AZTEC Mining of Australia is planning a two-for-nine rights issue to raise about A\$39m (\$30.40m) for mine development, Reuters reports.

The company, 37.3 per cent owned by Amax, said the issue was pitched at 61 cents a share against the current price of 62 cents which is down 7 cents on Monday's close.

It added that Amax had confirmed it would be taking up its 37.3 per cent entitlement to the issue in full.

The balance is being underwritten by J.B. Were and Son. The issue will help fund a A\$66.8m expansion at the Woodcutters zinc mine in the Northern Territory, wholly-owned by Aztec's 78.6 per cent subsidiary, Nicron Resources.

These Securities having been sold, this announcement appears as a matter of record only.

New Issue

Province de Québec
Canada

Can. \$250,000,000

10.50% Notes due April 9, 1991-1996

Issue Price: 101.35%

ScotiaMcLeod Inc.

Merrill Lynch International Limited

Société Générale Strauss Turnbull Securities Limited

Swiss Bank Corporation

Wood Gundy Inc.

ABN AMRO

BMO Nesbitt Thomson Ltd.

BNP Capital Markets Limited

Commerzbank

Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

Goldman Sachs International Limited

IBJ International Limited

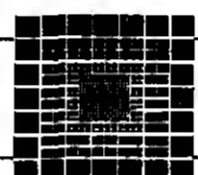
Kredietbank International Group

RBC Dominion Securities International

UBS Phillips & Drew Securities Limited

Westdeutsche Landesbank Girozentrale

April 1991

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Floating Rate Subordinated Notes due 1996

Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the interest period from 16th May, 1991 to 18th November, 1991 the following information will apply:-

1. Rate of Interest 6.4375%
2. Coupon Amount US\$332.60
3. Interest Payment Date 18th November, 1991

Agent Bank
Bank of America International Limited

U.S. \$200,000,000



Exterior International Limited

(Incorporated with limited liability in the Cayman Islands)

Guaranteed Floating Rate Notes due 2001

Unconditionally Guaranteed as to payment of principal and interest by

Banco Exterior de España, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

Notice is hereby given that for the six months interest period from May 15, 1991 to November 15, 1991 the Notes will carry an interest rate of 6 1/4% per annum. The interest payable on the relevant interest payment date, November 15, 1991 will be U.S. \$33.06 per U.S. \$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.

London, Agent Bank

May 15, 1991

RED NACIONAL DE LOS
FERROCARRILES ESPAÑOLES

US\$500,000,000

Floating rate notes due 1998

Unconditionally guaranteed by
THE KINGDOM OF SPAIN

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period 15 May, 1991 to 15 November, 1991 the notes will carry an interest rate of 6 1/4% per annum. Interest payable on 15 November, 1991 will amount to US\$389.86 per US\$10,000 note and US\$3,698.60 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

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BUSINESS

The FT proposes to publish this survey on
JULY 9 1991.
The Financial Times, unsurpassed reputation for producing logical authoritative editorial ensures that this survey will be essential point of reference for those key decision makers involved in the growing business sector. If you want to reach this important audience, call Antony Cribben on 071 873 3412 or fax 071 873 3064

FT SURVEYS

Notice to Noteholders

Prospect International
High Income Portfolio N.V.

Up to U.S. \$82,500,000
Senior Floating Rate
Notes due 1998
(of which U.S. \$41,250,000
has been issued)

Notice is hereby given that the Interest Rate for the period from 14th May, 1991 to 14th June, 1991 is 6.30%. The Floating Rate Note Interest Amount payable on 14th June, 1991 is U.S. \$5.43 per U.S. \$1,000.

Bankers Trust
Company, London Agent Bank

Shawmut Corporation
U.S.\$50,000,000Floating Rate Subordinated Notes
Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.4375% and that the interest payable on the relevant Interest Payment Date August 15, 1991 against Coupon No. 26 in respect of US\$10,000 nominal of the Notes will be US\$164.51.

May 15, 1991 London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

National Westminster Finance B.V.
(Incorporated in The Netherlands with limited liability)

U.S.\$500,000,000 Junior Guaranteed FRNs

Guaranteed on a junior subordinated basis as to payment of principal and interest by

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(Incorporated in England with limited liability)

Notice is hereby given that the Rate of Interest has been fixed at 6.5625% and that the interest payable on the relevant Interest Payment Date November 15, 1991 against Coupon No. 15 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$838.54 and in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$167.71.

May 15, 1991, London

By: Citibank, N.A. (CSSI Dept.), London Branch, Agent Bank

SANKYO SEIKO CO. LTD.

Japan

has acquired
through its wholly-owned subsidiary

DAKS Simpson

London

Sankyo Seiko Co., Ltd. was advised by the undersigned



The Mitsubishi Bank, Limited

April 1991

The Mitsubishi Bank, Limited is a member of The Securities Association

This announcement appears as a matter of record only.

Analytical Technology, Inc.

Orion Research Inc. • Mattson Instruments, Inc.

has acquired

Unicam, Ltd.

and the worldwide spectrophotometry, chromatography and electrochemistry laboratory equipment business of N.V. Philips Gloeilampenfabrieken

We structured and negotiated the above transaction and our venture banking affiliate, Warburg, Pincus Capital Company, L.P., led the equity financing.

E. M. WARBURG, PINCUS & CO., INC.

NEW YORK LONDON LOS ANGELES

May 1991

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on May 31, 1991, at the registered office of the Company, 6 John B. Gorkaweg, Curacao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Report by Board of Supervisory Directors on the course of business of the corporation and on the administration conducted during the fiscal year ended November 30, 1990.
- Discharge and subsequent re-election of the Board of Supervisory Directors.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1990.
- Further appropriation of the Net Result of the period November 30, 1989 thru November 30, 1990.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1990 and as presented in the report accounting firm of Ernst & Young dated April 10, 1991.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvonnita Corporation N.V., authorizing Yvonnita Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonnita Corporation N.V. e John B. Gorkaweg, Curacao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvonnita Corporation N.V. as to the voting of their shares by writing to Yvonnita Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
By: Pieter van der Vliet
Managing Director

Two US insurers file for protection from creditors

By Nikki Tait in New York

PARENT companies of two seriously-troubled US insurance groups filed for court protection from creditors under bankruptcy law yesterday.

First Executive Corporation, which takes in the Executive Life unit in California and the smaller Executive Life of New York business, said it had filed for protection from its creditors under Chapter 11 of the US bankruptcy code in the Los Angeles courts.

Its two main operating arms have already been seized by the relevant state regulatory authorities, making First Executive the poster child for the US insurance industry's current problems.

In a separate move, Citibank and other senior lenders to First Capital Holdings, parent company of San Diego-based First Capital Life Insurance, filed an involuntary bankruptcy petition, also to place FCH in Chapter 11.

This gave rise to speculation that the Californian state insurance regulators would soon announce they had taken FCH into conservatorship.

Under conservatorship, state officials take direct charge of the operations of the company and the claims of outside creditors are subject to regulatory and court decisions.

Last Friday, they issued a "cease and desist" order against the insurer, barring it from making payments to its parent, and from writing new business.

The order also placed a moratorium on surrenders by FCH policyholders and on life insurance policy loans.

Neither Citibank nor First Capital were immediately available to comment on the move. A 28 per cent stake in FCH is held by Shearson Lehman, and the US investment bank announced on Friday it would take a \$14m write-off before tax during the current

quarter in respect of this holding.

First Capital is substantially smaller than First Executive. The former's assets are around \$4.5m and it has some 130,000 policyholders.

Executive Life has around \$10.1bn in assets, while Executive Life of New York held a further \$2.2bn at end-1990. Problems at both companies, however, have resulted partly from heavy exposure to junk bonds.

Both debacles have occurred at a sensitive time for the US insurance industry. There has been much concern about the health of life insurers' portfolios.

This, coupled, with fears there may be separate problems endemic to the property-casualty sector, has provoked political pressure to reform the state-based insurance regulatory structure and introduce federal supervision.

Manpower moves back to Wisconsin

By Nikki Tait

MANPOWER, the world's largest temporary employment business, yesterday formally re-established its base in Wisconsin.

The move has been a year in preparation, and was effected when a newly-formed US corporation, Manpower Inc., made a share exchange offer for Manpower Plc, the British-based parent company.

That offer reached its first closing date on Monday, when acceptances in respect of 93.9 per cent of Manpower's shares were received.

All conditions to the offer have been satisfied and Manpower Inc becomes the parent company. However, the offer remains open until further notice, and shares tendered during this subsequent period will be exchanged as they received.

This novel change of domicile concludes a troubled chapter in Manpower's history. It began when Blue Arrow, the British company, made an ambitious \$1.34bn bid for Manpower in 1987.

However, Mr Mitchell Fromstein, Manpower's former chairman, subsequently replaced Mr Tony Berry, Blue Arrow's chief executive, as head of the merged group. Day-to-day control moved back to Wisconsin.

TLC Beatrice makes \$865,000

TLC Beatrice, the international food group subject to a leveraged buyout from the former Beatrice companies in 1987, yesterday reported net profits before preferred stock dividends of \$865,000 in the first quarter of 1991, compared with \$133,000 in the same period last year, writes Nikki Tait in New York. Sales rose to \$779.8m from \$710.4m. After the payment of preferred stock dividends, there was a net loss per share of 54 cents, against 23 cents deficit last time.

Businessland reports big losses in quarter

By Louise Kehoe in San Francisco

BUSINESSLAND, one of the largest US computer retailers, yesterday reported heavy losses for its third quarter and said it was considering several options, including bankruptcy protection.

Its problems reflect turmoil in the personal computer retail industry as manufacturers slash prices and warehouses selling at discounts make inroads into the market.

The company's difficulties also stem from its rapid expansion and the 1989 purchase of the Computer Retail chain, together with problems in its UK subsidiary, analysts said.

It suffered net losses in the third quarter of \$43m, including a \$17.7m restructuring charge and a \$6m charge for pending settlement of shareholder lawsuits. Revenues were \$269.7m, down 17 per cent, it reported losses of \$3.5m in the period last year. Businessland said it could not comply with provisions on a \$50m loan as well as its agreements with IBM Credit and ITT Financial for computer purchase. The company said it was considering restructuring, a sale of the company, or filing for Chapter 11 bankruptcy protection.

Telmex privatisation price values deal at \$2.043bn

By Damian Fraser in Mexico City

THE privatisation of Telmex, Mexico's telephone monopoly, has drawn to a close with the government as manufacturers slash prices and warehouses selling at discounts make inroads into the market.

The offering, equivalent to 14.1 per cent of the equity, is expected to be taken up within one week. There will also be an over-allotment provision - if demand is sufficient, a further 225m shares will be sold to the Telmex underwriters, worth \$36m.

In addition, Telmex employees agreed to buy 150m L shares at the offer price.

If the over-allotment provision is used, the Mexican government will raise \$2.55bn from the global share offering, equal to 1 per cent of the country's GDP.

In December, the government sold a controlling 20.4 per cent in Telmex to Grupo Carso, a consortium headed by Mr Carlos Slim, the Mexican businessman, and including France Telecom and Southwestern Bell.

The group paid \$1.76bn for the stake, or \$2.04 for each A share purchased. Monday's offering would value A shares at \$3.40.

The government will sell 120m of the L shares in the Mexican market, 700m in the US, and the remaining 600m in the rest of the world.

CAE Industries' Link subsidiary back in profit

By Robert Gibbons in Montreal

CAE INDUSTRIES, the world's leading flight simulator builder, has finally brought its US Link subsidiary back to profitability.

For the year ended March 31, CAE lifted overall net profit of \$44.5m (US\$20m), or 25 cents a share, up from \$28.7m, or 3 cents, in fiscal 1990.

The gain was mainly due to a \$312m swing in operating earnings at Link. Fiscal 1990 included a \$317.5m special charge for Link.

CAE's overall revenues slipped 2 per cent to \$5.1bn in the latest year.

It bought Link, the military

simulator and training operation in the US, from Singer in 1986 for \$965m. But Link suffered from contract costs overrun that led to substantial write-downs and an asset re-evaluation. A broad restructuring has cut the workforce by 40 per cent to 5,000.

Mr David Race, president, said Link was still not showing satisfactory results, but overall CAE should post further improvement in fiscal 1992.

The commercial simulator manufacturing operation in Montreal had record sales and earnings last year and the German subsidiary also did well.

COMMERZBANK OVERSEAS FINANCE N.V.

U.S. \$100,000,000 Floating Rate Notes Due 1993

In accordance with the provisions of the Notes interest is hereby given that for the three months period from May 13, 1991 to August 13, 1991 the Notes will carry an interest rate of 6 1/4% per annum with a coupon amount of U.S. \$156.53 on U.S. \$100,000 and U.S. \$3,913.19 on U.S. \$250,000.

Frankfurt/Main, May 1991

U.S. \$100,000,000

Den Danske Bank

at 1671 Alkesholm

(Incorporated in the Kingdom of Denmark with limited liability)

Perpetual Subordinated

Floating Rate Notes

In accordance with the provisions of the Notes, interest is hereby given that for the interest period from May 15, 1991 to November 15, 1991, the Notes will carry an interest rate of 6 1/4% per annum. The interest payable against Coupon No. 14 on the relevant interest payment date, November 15, 1991 will be U.S. \$329.03.

By: The Danish Bankers' Association, N.A.

London, Agent Bank

May 15, 1991

Day of contrasts led with Ecu400m deal by Greece

The government carries a triple-B credit rating from Moody's Investors Service and Standard & Poor's, the US credit rating agencies.

Bonds were sold on the basis that the government's 10-year paper issued by the lower-rated European governments will

cent, equivalent to full fees, where the paper yields 10.86 per cent.

The lead manager said the deal was comparable to issues by Western European governments such as Germany. For example, National Bank of Hungary's DM200m 10 per cent

issue from \$1.4m to \$1.68m. The coupon on the senior tranche of the deal was fixed at 8.5 per cent.

The bonds were offered to investors at a fixed price of 99.50, the yield spread is 96.5 basis points over US Treasury bonds.

Borrower	Amount in US DOLLARS	Compon %	Price	Maturity	Fees	Book runner
SLOC, Co. Mater. Tet. Series A(b)†	1.5bn	8 1/2	99.18	1998		Salomon Bros.
SLOC, Co. Mater. Tet. Series B(b)†	180bn	8	98.16	1998	0.40	Salomon Bros.
ECBIA Bank of Greece(a)†	400	10 1/4	98.60	1998	1/2	CSFB
CANADIAN DOLLARS						
Commutische Bank(a)†	160	10	101.525	1994	1 1/2/0.1	IBJ Int.
D-MARKS						
Republic of Turkey(a)†	260	10 1/2	100 1/2	1998	2 1/4	Commerzbank
SWISS FRANCIS						
Mila Industrial Co.(a)†	80	8 1/4	89 1/4	1998	3 1/2	Swiss Volksbank
DSL Bank(a)†	80	7 1/2	101 1/2	1998	3	Swiss Volksbank

†AAR: Private placement. S: Convertible. W: With equity warrants. F: Floating rate note. F: Fixed term. a) Non-callable. b) Credit enhancement. l: Lease. Full name of borrower. Standard Credit Ref: Moody's Rating 1) 1991-1 = a special purpose vehicle of Citicorp. 2) branch in Switzerland. 3) Callible and redeemable on 1/1/98.

Electricity group sets up CP programme

NatWest capital market arranged the programme and dealers are NatWest, Barclay de Zoete Wedd and Midland Montagu.

Low-volume options de-listed by Chicago

To delist the exchange's exclusive options, CBOE will not add new series to their options classes. For multiply-listed options, CBOE will cease trading with May expirations.

There was, in fact, a way round this. They could take position in the tender shanties and sell them into Japan after

Merchant banking income also dropped due to low interest rates and fewer assets earmarked for merchant banking activities.

PetroCanada, the Canadian state-owned oil and gas company, is raising C\$800m through the sale of 15 per cent of its equity, writes Simon

being to concentrate on its assignments in hand to "ensure that it remains well positioned to help clients and affiliates endure the recession".

Credit Suisse First Boston, was priced last week at \$26.21 per share, but has now risen to \$27.5 per share.

The DTB currently trades a future on long-term bonds, a future on the DAX index and options on 15 leading equities.

Index values 2490.7; 9 am 2488.4; 10 am 2483.0; 11 am 2483.1; Noon 2488.0; 1 pm 2491.3; 2 pm 2484.0; 2.30 pm 2479.0; 3 pm 2467.6; 3.45 pm 2462.6; 4.15 pm 2461.0; 4.45 pm 2461.0 Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday edition. A list of constituents is available from the Publishers, The Financial Times, Number One, Southbank Bridge, London SE1 9HL.

TRADITIONAL OPTIONS

● First Dealings	May 7	Calls: Aran Energy, Betherware,
● Last Dealings	May 24	Brent Walker, Brent Walker
● Last Declarations	Aug. 8	Cv.P., Cowie (T.), Ferranti, Granda-
For settlement	Aug. 19	kunich, Kunkin, Lortie, Rosenauhg,
For rate indications see	and of	TV-am, Putz: Barrett Devco., Ekl
London Share Service		Grp., Brent Walker, Putz & Call;
		Brent Walker, Usher-Walker.

[illegible]

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UK COMPANY NEWS



Keith Oates, joint managing director (left), Clinton Silver, deputy chairman and joint managing director (centre), and Richard Greenbury, chairman of M and S

Recession takes its toll on M and S

By John Thornhill

MARKS AND SPENCER, the retailing group, suffered a sharp decline in UK volume sales in the second half of the year as the recession began to bite.

Throughout its existing stores there was a 5.6 per cent fall in sales in the second half compared with a 2.8 per cent decline in the first. Overall, however, sales increased by 3.8 per cent in the UK and Eire because of the growth in selling space.

The strongest growth was recorded in food sales which advanced by 6.9 per cent to £2.04bn. Clothing sales increased by 2.2 per cent to £2.35bn but homeware was badly hit by the economic slowdown and saw sales fall by 0.1 per cent to £534.5m.

During the year M and S

increased its net selling space by 4 per cent but reduced the number of full-time staff by 1,700.

Three edge-of-town stores were opened as well as four neighbourhood food stores. In addition an extra 220,000 sq ft of selling space was added in the high-street stores.

Capital expenditure totalled £300m, the bulk of which was spent in the UK and Eire, with £49m going on site acquisition, £144m on expansion and modernisation, and £55m on information technology.

By region M and S's operating profits were: UK and Eire £508.1m (£597.5m); Continental Europe £220.4m (£14.5m); US \$10.3m (\$17.9m); Far East \$3.3m (\$2m); and Canada \$3.6m loss (\$4.6m loss).

See Lex

Brierley wins shareholder support to head GPG

By Roland Rudd

SIR RON Brierley, the New Zealand entrepreneur, yesterday won support from an extraordinary general meeting to take over the running of GPG, the British investment company.

The group also announced that it had raised £1.8m in six months to March would not be less than £2.7m (£1.8m), with shareholders' funds in excess of £30m after the restructuring deal. Full interim results are due within the next two weeks.

Brierley Investments (BIL) is to reduce its shareholding to 40 per cent by selling 140m shares at 15p each to Australasian investors.

BIL recently increased its GPG holding to 83 per cent after acquiring a 20 per cent stake of the company from Parnam Holdings, Mr Robert Maxwell's private company.

Sir Ron is buying 3 per cent of GPG from his former investment vehicle for the same price.

The meeting also paved the way for the £6.8m sale of three BIL investments in which Sir Ron has been personally involved. The major holdings are 29.86 per cent of Stanley Gibbons Holdings, 14.99 per cent of Villa D'Este and 12.49 per cent of Algas Energy.

All ordinary shareholders will be given 10p per share, and 86 per cent of the par value of £720,000 of preference shares will be repaid plus the accrued dividends of 6.3 per cent – the preference dividend has been paid three times.

The shares of GPG, one wing of the former Guinness Peat Group, were suspended in December at 23p.

Sir Ron hopes the international stock exchange will restore GPG's listing now that it is gaining its independence from BIL and widening its shareholder base. He also made it clear that he is looking at several acquisition opportunities.

Disputes and Jaguar maul underperforming market leader

Kevin Done analyses the difficulties during the past year at Ford resulting in a downturn into losses

THE SCALE of Ford's financial demise in the UK last year can best be judged against the much more impressive performance of its rivals.

Throughout the troubled decades of the 1970s and 1980s Ford of Britain appeared to have a seat in the lifeboat, while its competitors floundered in the water and threatened to disappear from sight.

Ford stood out as a survivor. The returns were not dazzling, but through all the crises it stayed in profit. Its last taxable loss was in 1971, although there was a small operating loss in 1984.

Last year it slumped into a pre-tax loss of £274m from a profit of £483m a year earlier.

To judge the state of Ford of Britain's core operations last year, it is necessary to strip out Jaguar, the loss-making luxury car maker, which Ford of the US chose to take over very expensively at the end of 1989 for £1.55bn.

Ford of Britain's accounts are now burdened with the financing costs and the operating losses arising from the Jaguar takeover, because it suits the loss-making Ford US parent company to deal with it in this way. One benefit should be that Ford of Britain will be able to avoid paying much corporation tax for some years to come.

However excising Jaguar

and its non-automotive businesses, Ford of Britain's pre-tax profit still fell by 87 per cent from £483m to £61m, and compared with a record £673m in 1988.

While Ford was suffering this reverse Vauxhall, which accumulated total losses of £330m in eight successive years from 1979 to 1986, increased its pre-tax profit marginally to a record £239.1m. Vauxhall's operating profits declined 13 per cent to £190.9m, while Rover's trading profits declined by 14 per cent to £56m, and Peugeot Talbot's pre-tax profits fell by 11 per cent to £109m.

The Ford of Britain group's operating profit, before interest charges and other financial items, fell by 73 per cent to £136m from £499m. The operating performance would have been even worse but for a change in the company's method of accounting for depreciation, which resulted in a flattering £84m credit.

Its problems did not come singly. It was hit by the general recession in the new car market, but it also underperformed the market, losing market share.

Output fell at its UK car plants and it was hit by long and damaging industrial action and it suffered continuing losses of £30.5m from its tractor operations. It also staged a highly troubled and costly launch of its new generation

Escort/Orion range, traditionally its best-selling car. The range was panned by the specialist motoring press.

Ford's new car sales in the UK fell by 16.7 per cent last year to 507,260, compared with a drop in the overall market of 12.7 per cent. Its share of the market fell from 28.5 per cent to 25.3 per cent.

As the UK market leader it is inevitably under attack from all quarters. But the competition can only intensify during the 1990s, not least as Japan's three largest car makers Toyota, Nissan and Honda all bring their UK car assembly plants into full production.

Ominously its market share is already being eroded significantly with a fall from the peak of 30.9 per cent in 1981 to 25.3 per cent last year and only 23.4 per cent in the first four months of this year.

Car output at its Dagenham and Halewood assembly plants dropped by 13.8 per cent to 329,597.

Also damaging last year were Ford of Britain's continuing industrial relations problems which caused a seven-week closure of its Halewood plant on Merseyside and led to other closures including the Southampton van plant.

The production of 39,500 Escort and Orion cars and vans was lost at Halewood last year, and a total output of 77,000 vehicles was lost at Ford's UK



Derek Barron, chairman, planning capital spending of £2.5bn

and continental plants. According to Ford in the US the labour disputes in the UK in the first quarter of last year cut its pre-tax profits by £335m. The Halewood dispute in particular damaged Ford as it coincided with the build-up to the change-over of production systems at the plant to the new-generation Escort/Orion.

Ford's debilitating commer-

cial and industrial problems have coincided with a period when capital investments in the UK are at a record level and were already stretching its balance sheet, even before the Jaguar burden. In 1990 £77m was spent following £550m in 1989. Between now and 1999 it is planned to spend a further £2.5bn. Such spending can hardly

carry on without an injection of funds from the US, when Ford of Britain's balance sheet is so over-stretched. Mr Bill Brooks, finance director, said yesterday that the company's debt to equity ratio was 3.5. A more normal ratio for a manufacturing company would be below 1. "We have to continuously look at the debt to equity ratio," he admitted.

Amidst today's dark clouds, there's one undeniable silver lining. There are many good companies to be acquired at very good prices.

Identifying them, though, isn't easy. In a textbook demonstration of

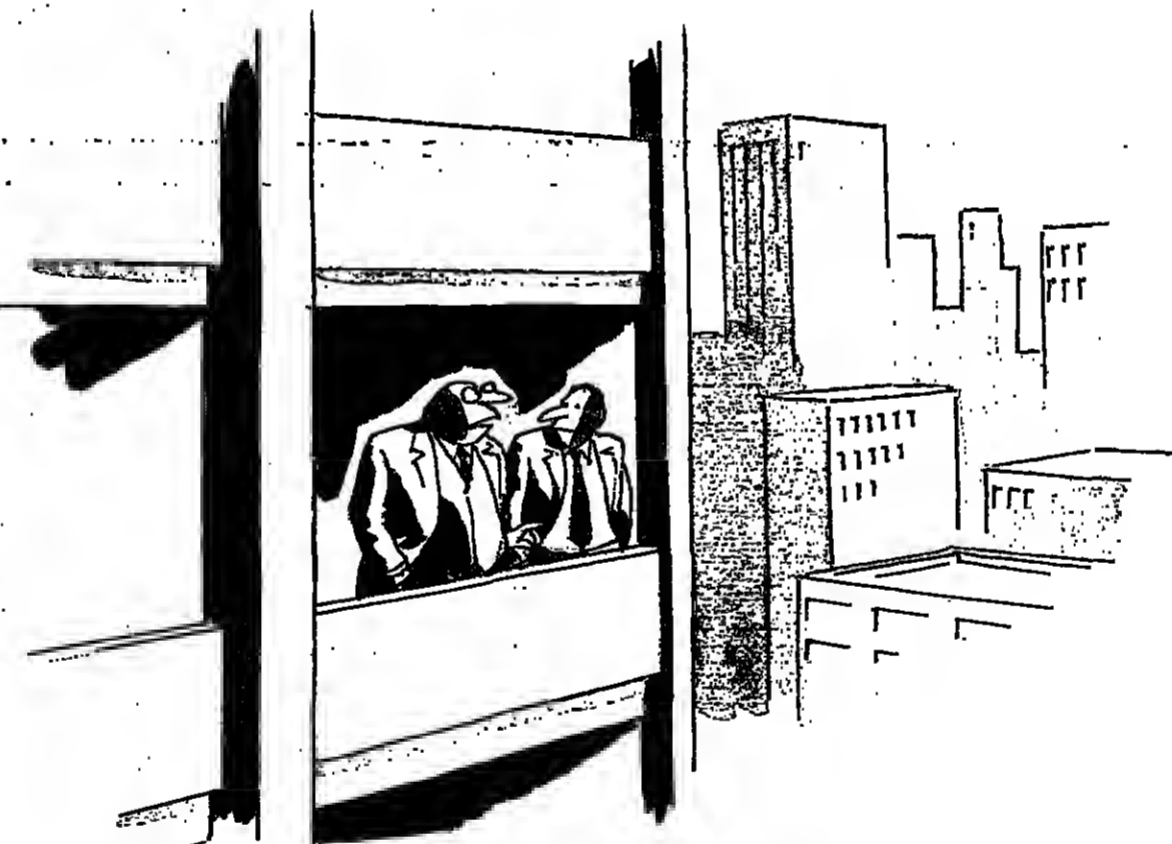
Take soundings, talk to third parties, arrange informal discussions, make speculative approaches; and you can still find that a competitor snaps up a business which you thought was unbuyable.

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And third, we take the time to get to know you before we start talking about specific targets. Because if we don't know you well yet, then we aren't in the right position to help you find the right acquisition – because that comes from a close understanding of our client's business.

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"Everyone says there are dozens of attractive acquisitions out there. But where, Chadwick? Where?"

Murphy's Law, it's generally true to say that if it's widely known that a business is for sale, it isn't worth buying.

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UK COMPANY NEWS

Hanson's rise fails to please City

By Maggie Urry

HANSON, the Anglo-American conglomerate, yesterday reported a 3.2 per cent rise in interim pre-tax profits to £58m, compared with £57m.

Lord Hanson, chairman, said these were very creditable results given the difficult trading background. However, the figures covering the six months to the end of March, were below the market's best hopes and the shares fell 5p to 220p.

Analysts said that the underlying performance showed a fall in profits after taking account of first time contributions from Peabody Coal, the mining company acquired in April last year, and Cavenham Forest Industries, bought in December.

The figures were also boosted by an unspecified profit on the £1.3bn sale of the group's 49 per cent stake in Newmont Mining. The stake was swapped for Cavenham Forest Industries. The dollar's move cost about £10m.

Lord Hanson and Lord White, who heads the US busi-

nesses, both referred to opportunities arising for the company, which has an acquisitive reputation.

The group announced the appointment of Mr Christopher Collins as director for corporate development. This will include looking at ideas both internally and externally for developing the group, Mr Martin Taylor, vice chairman said.

Mr Collins has worked for Hanson for two years, running its Hanson Sykes Pumps business and is a director of Hanson Goldfields, the Australian company in which Hanson has a 46 per cent stake.

Group turnover rose 8.2 per cent to £3.92bn (£3.62bn) and trading profits were £503m (£459m). Income from Hanson's property, less central costs, was down from £11m to £8m. This includes the Newmont profit.

At the half year end the group's net cash had slipped to £33m from £58m at the year end, hit by translation of dollar debt and the payment of last year's final dividend.

A lower rate of tax helped fully diluted earnings per share rise 5.6 per cent to 8.4p (8.9p). The interim dividend is raised 5 per cent from 3p to 3.15p.

The UK businesses suffered a drop in trading profits to £25m (£30m), in spite of a rise in profits in the consumer division, which includes Imperial Tobacco and British Ever Ready, the battery business, to £152m (£146m). Impairment increased profits, but the rise in duty on cigarettes in the budget will affect the second half.

Profits from building products, such as roadstone and bricks, fell a third to £44m, while industrial profits were down from £7m to £5m.

US trading profits were £503m (£464m). The inclusion of Peabody more than accounted for the rise from £11m to £19m in industrial businesses profits, although after financing costs the Peabody contribution was nearer £20m.

Cavenham Forest Industries

contributed about a third of the building division's profits of £34m (£36m). Consumer products profits were £20m (£26m).

COMMENT

Hanson's trading statements will make interesting reading when new accounting rules demand separate disclosure of profits from acquired businesses. At present investors must rely on hints and guesses. But it is clear that the acquisition of Peabody was particularly timely, while the "sale" of Newmont Mining allowed an above-the-line profit of somewhat dubious origin which will be spread over the second half too. As always with Hanson the question is how that sort of thing can be repeated. The pressure is on to make another acquisition. Profits should comfortably top £1.3bn against last year's £1.29bn giving a prospective p/e of less than 11. That might look relatively cheap but sentiment is not running in Hanson's favour at the moment.

Brent shares drop to 27p on loss warning

By Maggie Urry

SHARES OF Brent Walker, the heavily-borrowed leisure group, fell 13p to 27p yesterday on further consideration of Monday's warning of "substantial" losses. The fall makes a two-day drop of 28p, more than half Monday's opening price of 56p.

The group plans to report results for 1990 next Monday, when it will also publish a summary balance sheet, which will show a "major reduction in shareholders' funds".

At the closing share price the group is capitalised at £14m, while its debts are thought to be more than 100 times that amount.

Even so the group's bankers, who are discussing a financial restructuring with the company, were yesterday playing down suggestions that they were considering the appointment of an administrator. "It's just not in the banks' interests to pull the plug," said one.

Although the group's balance sheet is expected to show a small positive net worth, this is based on a property valuation done on the basis that the group continues to own the assets. Proceeds from a fire sale would be less again than the revaluation. However, the banks want the security of the group's assets at the time of last November's standstill agreement with Brent Walker.

Bankers also pointed out that the group's balance sheet is expected to show a small positive net worth, this is based on a property valuation done on the basis that the group continues to own the assets. Proceeds from a fire sale would be less again than the revaluation. However, the banks want the security of the group's assets at the time of last November's standstill agreement with Brent Walker.

Gulf war and recession cut Vaux profits by 7% to £13m

By Philip Rawstone

THE EFFECTS on its hotels business of the Gulf War and recession hit first half pre-tax profits of Vaux Group, the north-east based brewer and hotels and nursing homes operator.

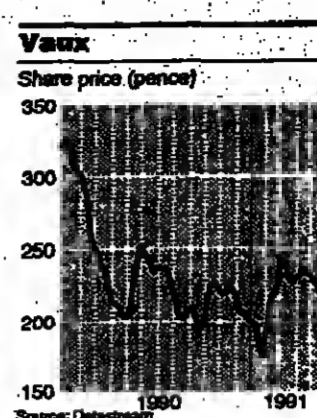
Yesterday the group reported a 7 per cent fall in pre-tax profit for the six months ended March 16, from £14.12m to £13.11m, as occupancy rates in its Swallow Hotels chain declined from 63 per cent to 58 per cent.

Trading profits for the hotels division - which opens its 35th hotel in Bristol later this year - dropped 14 per cent to £5.2m (£6.1m).

"Prospects for the rest of the year are very dependent on whether the hotel industry recovers," Mr Paul Nicholson, chairman, said.

There were some hopeful signs, though occupancy rates were still below last year, and margins were also under pressure because of the increase in VAT and tobacco and spirits duties.

Earnings per share for the



(£4.5m). Beer volumes rose 6 per cent with packaged beer sales over 20 per cent higher. A thousand barrels of low-alcohol lager a week were being brewed for Labatt of Canada.

Vaux Inns, the managed pub estate, pushed trading profits up by 6 per cent to £2.13m (£1.97m) and Rayneys off-licences recorded a 9.5 per cent increase to £31,000 (£28,000).

The group has increased its pub estate by around 100 to 689 over the past year. "We believe in the future of the pub," Mr Nicholson said.

Profit contribution from nursing homes was 61 per cent higher at £1.3m (£806,900) as occupancy rates rose 3 per cent to 87 per cent.

Extraordinary profits totalled £7.1m, comprised of £4.4m from the sale and lease-back of a hotel in Essex, and £2,700,000 from the disposal of the 19 per cent stake in Tyne Tees television.

Analysts expect full year pre-tax profits of around £33m against last year's £25.8m.

Mowat calls for £10m as profits fall

By Michio Nakamoto

Profit of the Mowat Group, the USM-quoted property and leisure combine, suffered from a surge in interest rates, but there is to be a 1-for-1 rights issue to raise £10m to expand the holiday business and reduce substantial borrowings.

The profit for the half year ended December 31 1990 reached only £30,000, that compared with £264,000 last time which fell to £651,000 for the full year.

The issue of 95.18m shares, at 11p each, follows a bank refinancing in December by which £20m of short-term debt was converted into medium-term debt.

A surge in interest charges to £4.49m (£2.35m) took pre-tax profits for the group down to £30,000 (£254,000).

Operating profits were up over 40 per cent at £4.53m (£3.11m).

Earnings per share declined to 0.02p (0.64p) and no interim dividend is declared (0.5p).

White knights most often the heroes, takeover study shows

By Peter Martin

COMPANIES faced with a cash takeover bid usually lose unless they find a "white knight" rival bidder, according to a study published today.

The study, Takeover Defence Strategies, was written by Mr Tim Jenkinson of Keele College, Oxford and Prof Colin Mayer of the City University Business School, London.

The authors studied all 42 hostile takeovers made in the UK between January 1989 and March 1990. They concluded: "Targets have an effective defence against hostile bids - even cash bids - provided that they are able to find a white knight. Where bids are not for cash, then spirited financial responses (such as profit forecasts) may be adequate."

Other conclusions included:

- Successful companies were as likely to be bid targets as unsuccessful ones - only 40 per cent of target of hostile bids had displayed recent evidence of falling share prices, earnings or dividends. Poor recent performance seemed to make little difference to the outcome of the bid.
- Even if the hostile bidder failed to win the day, another bidder might. Control of the target company changed hands in two thirds of all hostile takeovers from 1984 to 1988.
- The most common form of bid was all-cash (43 per cent). All-equity bids were half as common (21 per cent). Mixed bids - involving both cash and equity - accounted for 36 per cent of the total.
- Success rates varied from 56 per cent (in the case of cash bids) to 53 per cent (mixed bids) and 11 per cent (equity-only bids).
- Two thirds of all-cash bids were raised in the course of the battle, but three quarters of initial equity bids were left unchanged.
- The most common takeover defence was making forecasts of future performance, adopted

by 81 per cent of bid targets. The other common tactics were: appealing to regulatory bodies, politicians or the courts (45 per cent); finding a white knight (31 per cent); and announcing a corporate restructuring (21 per cent).

Where a white knight entered the contest, bids almost invariably failed. Where no white knight entered, cash offers generally succeeded, but the outcome of equity or mixed offers depended on the strength of the defence put up by the target.

The authors concluded that though a white knight defence was often successful, it carried a high cost in terms of loss of control. Boards wishing to fend off possible takeover bids should consider setting up cross-shareholdings between groups of companies, the authors said.

Takeover Defence Strategies, Oxford Economic Research Associates, Blue Boat Court, Alfred St, Oxford OX1 4EH.

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Small nappy maker squeezed out in price war

By David Owen

The £370m UK disposable nappy market is showing signs of a case of the collywobblers, with the acquisition of receivers to Blue Ridge Care, the Consett-based manufacturer.

Blue Ridge is one of the smaller players in the fast-expanding UK market, which is dominated by Procter & Gamble's Pampers.

The receivers, Ernst & Young, blamed Blue Ridge's demise on a nappy price war that had prevented raw material cost increases being passed on.

It recently lost "two large contracts" supplying own-label nappies to major retailers.

The receivers are endeavouring to sell the business as a going concern.

None of the company's 125-strong workforce has to date been laid off. The size of the group's debts had not yet been determined.

According to Euromonitor, the London-based market research company, Pampers accounts for 40 per cent by value of UK disposable nappy sales, with Togs, Pampers and Boods the next biggest.

Between 1981 and 1989 the market has grown more than four-fold to 2.7bn units.

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FT SURVEYS

"The group has been progressively reshaped into one of the world's leading international food, drink and hospitality corporations."

Derick Holtzman
(Extracts from the Chairman's Statement in respect of the 52 weeks to 2 March 1991)

"Trading performance was very satisfactory and the two major acquisitions of 1990 - James Burrough and Dunkin' Donuts - were successfully integrated into the group."

Regrettably a year of underlying progress and consolidation was masked by the impact of a £147 million currency loss which had the effect of reducing pre-tax profit to £479 million, a decline of 15.2% over the previous year and earnings per share to 37.6p, a decline of 21.2%. Given the fundamental health of the group's commercial operations, the Board has decided to increase the final dividend payment to 12.54p giving a total of 18.81p for the year, an increase of 11.0%. The group is constantly raising the quality of its businesses and products.

This is a never ending process and one which underpins our expectation of growth in profits, earnings and dividends for the current year and beyond"



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UK COMPANY NEWS

General Accident sees improvement

By Clare Pearson

GENERAL ACCIDENT, the Perth-based general and life insurer, yesterday fulfilled the more pessimistic expectations in the stock market when it announced a pre-tax loss of \$76.1m for the three months to end March.

That was less than the \$81.5m reported for the comparable period, when there were particularly severe weather conditions in early 1990.

Underwriting deficits both in the UK and the US, which come in a context of deteriorating conditions for all the composite insurers, deepened to an even greater extent than many analysts had expected.

However, Mr Nelson Robertson, chief general manager, injected a spark of optimism into the results announcement by noting that "in each of our major markets our results have shown an improving trend within the first quarter, and that trend has continued into April".

He said GA still expected an overall improvement in 1991 results over those for 1990, when pre-tax losses were \$131.3m.

Worldwide underwriting losses were higher at \$167.3m, compared with \$153.9m.

The general effects of the recession, coming at a time of a competitive squeeze on rates,



Nelson Robertson: benefits of cost control measures beginning to show through

has hit GA hard along with the other composite insurers. In addition there have been increases in arson and crime-related and subsidence claims.

Yesterday, Mr Robertson reiterated GA's commitment to seek rate increases rather than higher volumes and said benefits of cost control measures were beginning to show through.

GA's latest retrenchment measure, announced last month, is the winding down of NZL Bank, its New Zealand bank subsidiary. Within these figures the bank produced a

profit of £200,000, compared with a £1.5m loss.

The UK underwriting deficit worsened to \$22.5m (\$26.2m) despite the adverse weather impact on the comparable figure. Losses were particularly marked on the motor account. However, motor claims frequency improved as the quarter progressed and GA will now start benefitting from rate increases.

In the US, underwriting losses were \$39.7m (\$25.2m). An improvement in commercial business was more than offset by a deterioration in personal lines.

Currency movements, in particular the stronger US dollar, had a positive effect on the results. Premium income on general business was up at \$219.1m (\$216.2m). GA said growth in original currencies was eight per cent, reflecting rate increases rather than volume growth.

The dollar movement and higher stock market values helped boost investment income, which in sterling terms rose to \$110.1m (\$92.5m).

The estate agency deficit was \$5.2m (\$5.5m). The loss per share was 12.8p (14.5p).

Leeds Grp rises despite difficult six months

By Alice Rawsthorn

LEEDS GROUP, the textile company specialising in dyeing and printing, yesterday announced a slight increase in interim pre-tax profits from £1.8m to £1.87m, despite the troubled state of the textile market.

Mr Robert Wade, chairman and managing director, said it had been a "very, very difficult six months" but that the group had "managed to hold its own". He said there had been no sign of recovery so far in the second half and that the future was "very uncertain".

Earnings per share for the six months ended March 31 1991 were 11.5p (11.4p). The interim dividend is held at 9p, but Mr Wade said he would be "very reluctant" not to increase the final given that the group had increased its total dividend every year for the past 25 years.

Leeds' shares were unchanged at 287p on the announcement yesterday. Turnover fell to £13.84m (£15.39m) reflecting the increase in the proportion of commission processing and the sharp fall in the wool price.

Leeds had to write down its own stock values when the wool price first fell last summer and was forced to do so again - by £100,000 taken above the line - after it dropped further in February.

Mr Wade said the group had been able to adapt to the downturn in the market, mainly by reducing the number of working hours by 15 to 20 per cent. However, he said, that had meant that some employees had left the group because the corresponding fall in their wages.

Higher finance costs send Fitzwilson lower

By Kieran Cooke in Dublin

HIGHER INTEREST charges left 1990 pre-tax profits at Fitzwilson, Dublin-based holding company, down at £11.7m (£10.56m), compared with £12.1m.

Operating profits for the company, headed by Mr Tony O'Reilly, the Irish-American businessman and former chief executive, were up 20 per cent to £13.3m (£11.1m). Turnover increased to £240m (£244m).

The company described the results as "creditable, when measured against the economic conditions of our main markets".

The cash and carry operations had grown to be among the top six in the sector in the UK, the company. Keep Trust, the motor distribution business purchased for £54m in early 1988, had a difficult second half due to the nationwide

fall off in car sales. Fitzwilson warned of continued difficult trading conditions in the first quarter of the present year.

Earnings per share fell from 11.2p to 7.9p. Fitzwilson's share capital expanded greatly following a fund raising exercise early last year to purchase a 9.3 per cent stake in Waterford Wedgwood, the china and crystalware group.

At the end of the period net bank debt was £20m, a debt/equity ratio of 32 per cent.

The company, which was restructured in 1987 with backing from a number of wealthy US-based shareholders, has recently concentrated on the cash and carry businesses, mainly in the north of England, and its UK motor distributors.

Mr Kevin McGoran, chief

executive, said that though the company was in the trough of the present reduction in UK car sales, he was still hopeful about the rest of the year. On the Waterford Wedgwood investment he said he had been encouraged by the progress achieved over the last year.

Earlier this month Waterford Wedgwood announced pre-tax

losses for 1990 of £21.4m, compared with losses of £20.8m. However there was a considerable improvement in the second half operating profit to £8.7m (£347,000) and group debt had been reduced from £125m to £138m.

The trading results of Waterford Wedgwood are not incorporated in Fitzwilson's 1990 earnings.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Financial Times. Shareholders should consult the company's annual report for details of the agenda. Dividends are payable on 15th May and 16th June. Dividends are payable on 15th May and 16th June. Dividends are payable on 15th May and 16th June.

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expected that listing will become effective and these dealings will commence on 3rd June 1991.

Details of the Convertible Capital Bonds are included in the Company's Prospectus

available from the London Stock Exchange. Copies of the Listing Particulars relating to the

issue may be obtained during business hours (Monday to Friday) by telephoning 01-555 1111

or by post to the Company's Secretaries, Messrs. B. & B. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

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Automated Security (Holdings) PLC

2506 Hampstead High Street

London NW3 1QA

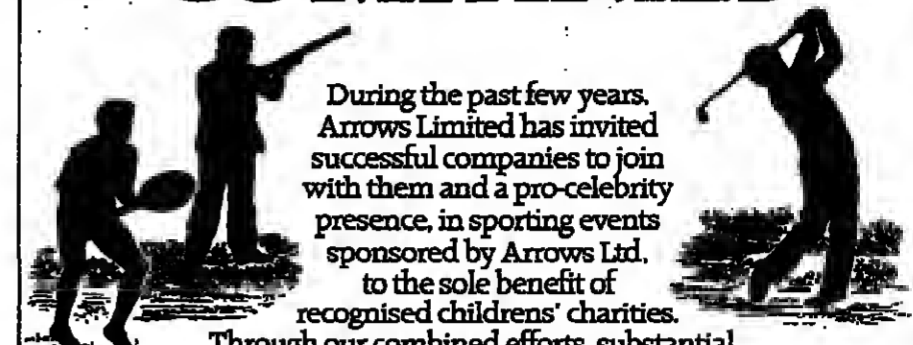
15th May 1991

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 13th May 1991 to 13th August 1991, the Notes will bear a Rate of Interest of 11.625% per annum. The amount of interest payable on 13th August 1991 will be £146.51 per £5,000 Note and £1465.07 per £50,000 Note.

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RESULTS FOR THE FINANCIAL YEAR 1990/91

A strong performance against an extremely difficult economic background.

- Group turnover up £170 million to £5.8 billion.
- Group profit (before exceptional charge) up 4.5%.
- Group profitability maintained.
- European sales up 24% and profits up 38%.
- Strong cash flow produces net interest receivable.
- Borrowing ratio reduced from 17% to 14%.
- Dividend increased.

Copies of the report and accounts for 1990/91 will be mailed to shareholders from 11th June.

MARKS & SPENCER

UK COMPANY NEWS

Allied-Lyons profits decline 15%

By Philip Rawstone

ALLIED-LYONS' 147m loss on foreign exchange dealings earlier this year dragged its pre-tax profits down by 15 per cent, from £565m to £479m.

The drinks, food and retailing group also reported a 21 per cent slump in earnings per share, from 47.7p to 37.8p, under the impact of the exchange losses.

As a mark of the "fundamental health" of the group, however, the final dividend is lifted to 12.54p, increasing the total for the year ended March 2 1991 to 18.61p (16.85p).

Mr Tony Hales, who becomes group chief executive in July, yesterday stressed the underlying strength of the group's trading performance.

Trading profits before the currency loss - taken as an exceptional item - increased by almost 20 per cent to £803m (£671m) on turnover eight and one half per cent higher at £5.18bn (£4.73bn). The growth was achieved despite a 12.5 per cent rise in worldwide marketing expenditure.

Pre-tax profit for the trading divisions rose by 11 per cent. A first contribution from James Burroughs, acquired from Whitbread, helped Hiram Walker Allied Vintners, the spirits division, to lift profits 27 per cent to £403m (£318m), on turnover 16 per cent higher at £1.97bn (£1.67bn).

Sales volumes benefited from the premium status of brands such as Ballantine's Scotch whisky and Connoisseur cognac. Margins improved to 18.2 per cent compared with 18.2 per cent five years ago. Allied Breweries recorded a 10 per cent increase in trading profits to £256m (£222m) on turnover up to £1.92bn (£1.76bn). The underlying UK brewing and pub retailing business grew even faster.

Beer volume and market share both increased. Tetley, Skol and Castlemeine - whose future in Europe is now under discussion with Lion Nathan - all made gains. Pub retailing also improved. Pub food sales were up 22 per cent and business in the group's "quality" pubs was ahead 19 per cent.

In franchising, system-wide sales of Dunkin' Donuts rose 11 per cent, topping the \$1bn mark. Baskin-Robbins achieved sales volume growth against the market trend.

Capital expenditure amounted to \$257m (£371m) but a positive cash flow reduced borrowings by £123m and gearing from 78 to 70 per cent. See Lex

Lyons food operations showed a 35 per cent increase in trading profit to £139m (£103m) on turnover 16 per cent up at £1.17bn (£1.01bn). Beverage profits rose by over a quarter helped by the success of the Tetley round tea bag, a £100m brand which is now challenging for UK market leadership.

In franchising, system-wide sales of Dunkin' Donuts rose 11 per cent, topping the \$1bn mark. Baskin-Robbins achieved sales volume growth against the market trend.

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Where vulnerability is a common thread

Alice Rawsthorn on the prospects facing Tootal and Coats Viyella

FOR weeks Coats Viyella and Tootal, aided and abetted by their respective armies of bankers, brokers and investigative accountants, have been battling against each other in their very hostile £222m bid.

At lunchtime on Friday hostilities will cease when the votes are counted to see whether Coats, Britain's biggest textile group, has succeeded in securing enough shareholder support to win control of Tootal, another major player in British textiles.

So far the battle has been dominated by all the allegations and counter-allegations of financial fiddles and managerial mistakes that have been flung from one side to the other. The fundamental issue of Tootal's future - inside or outside Coats Viyella - has tended to be neglected.

What will happen if the bid succeeds and Coats takes over Tootal? Alternatively, what would the future hold for Tootal if the bid fails and it clings on to its independence?

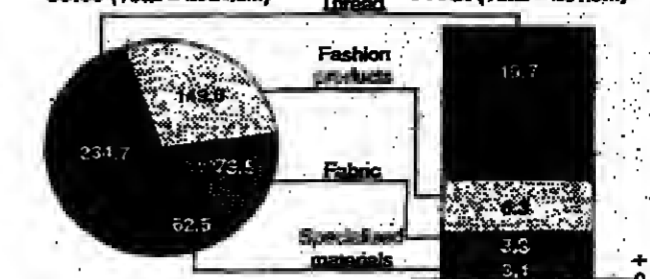
Tootal is a company with annual sales of £526m and 15,000 employees, half of whom work in the UK. Its main area of activity is sewing thread, an international business with sales of £225m and strong positions in Asia and the US.

Tootal also has clothing and homeware interests in the UK - where it is one of the larger suppliers to Marks and Spencer - together with a specialised materials business making "high tech" or industrial textiles.

The chief attraction of Tootal for Coats is to add the thread companies to its own extensive thread business, thereby becoming the biggest single player in international sewing thread.

Coats has already mapped out a plan to combine the two companies' thread businesses. Administration would be merged in all markets. Coats

Tootal
Sales and profit analysis: 1990/91 (year and Jan 31 1991):
Sales (Total = £524.8m) Profit (Total = £31.9m)



would also merge distribution apart from the more "mature" markets, such as the UK, where it would retain separate sales forces.

The manufacturing operation would be streamlined with plants specialising in particular products. However Coats would consider closing a number of thread factories according to Mr Neville Bain, chief executive.

Coats claims this strategy would achieve significant synergies by exploiting economies of scale in production and streamlining administrative costs across a bigger business.

This makes sense in theory but in practice Coats might lose market share if its customers balked at the prospect of dealing with so powerful a supplier capable of dictating terms and raising prices.

Mr David Allanson, Coats chairman, accepts there is a possibility of losing share. However, he claims Coats would lose no more than 10 per cent and that this loss would be offset by projected savings in thread of about £12m a year.

As for the rest of Tootal, Coats plans to keep the clothing companies. Again there is a question mark over whether it would lose market share with M and S given that in some categories - notably women's trousers and men's shirts - its

share would be more than 50 per cent.

Sir David maintains Coats will be judged on its performance and that as long as it meets M and S's criteria for quality and service it will not lose share. However, its competitors anticipate some loss over the longer term.

Coats is reviewing the future of the other Tootal businesses. It would almost certainly sell the specialised materials company, which, according to Mr Bain, would need substantial investment to remain competitive. It would also consider selling some of the smaller textile companies.

Coats has devised a two-year disposal plan, with the aim of reducing gearing from a peak of 65 per cent, after the acquisition, to about 40 per cent after one year and 30 per cent after two years.

Ms Rosemary Banyard, textile analyst at James Capel, calculates that the combined Coats/Tootal would make pre-tax profits of £115m in 1991 and £145m in 1992.

The chief concern for shareholders is whether Coats is really in a position to absorb Tootal, given that it clearly has had difficulty integrating Coats Petros since acquiring that company five years ago.

If the integration of Tootal ran into problems, or the loss of market share was higher than expected, Coats could be in a weak position operationally and financially. It would be particularly vulnerable in thread where the production process is so capital intensive that any disruption has an exaggerated effect on profits.

As for Tootal itself, the critical question is whether it has a future as an independent group. Mr Anthony Habgood, who became chief executive in January, has implemented a new strategy of rationalisation and reorganisation most of which is now completed.

Tootal claims this strategy has already improved profitability by 210m a year - thereby boosting pre-tax profits from £23.2m to an anticipated £32.5m this year - and will produce a further improvement of £7.5m from next year.

However, Tootal's balance sheet is in poor shape. It made an extraordinary charge of £23m last year and also dipped into reserves to pay its dividend. By the year end its net debt stood at £80m and gearing at 51 per cent.

This has fuelled concern that Tootal might be forced to curb capital expenditure thereby jeopardising its long-term prospects. Analysts also speculate that it may be forced to resort to a rights issue or to asset disposals. Mr Habgood denies this, saying Tootal will be able to reduce debt through improved financial management.

These are the issues for Tootal's shareholders. Should they accept Coats' shares in the hope that it will be able to integrate Tootal? Should they stick with Tootal and gamble on its chances as an independent company? Or should they wash their hands of both and take Coats' cash to invest in something else?

They have until 1pm on Friday to make up their minds.



General Accident

THREE MONTHS' RESULTS

The results of the General Accident Group for the three months ended 31st March 1991 estimated and unaudited, are compared below with those for the similar period in 1990, which are restated at 31st December 1990 rates of exchange; also shown are the actual results for the full year 1990.

It must be emphasised that the results for an interim period do not usually provide a reliable indication of those for the full year.

	3 Months to 31.3.91 Estimate £ millions	3 Months to 31.3.90 Estimate £ millions	1990 Actual £ millions
Premium Income			
General Business	819.1	716.2	3,045.8
Long Term Business	104.0	102.4	413.3
	923.1	818.6	3,459.3
Investment Income	110.1	92.5	429.9
Net Income	0.2	(1.5)	(6.3)
Estate Agency Result	(5.3)	(5.3)	(23.2)
Underwriting - General Business Result	(167.3)	(153.9)	(461.7)
Long Term Business Profit	8.0	6.8	25.2
	(54.2)	(61.6)	(36.2)
Less Interest on Loans	20.9	19.9	85.1
Loss before Taxation	(75.1)	(81.5)	(121.3)
Taxation - U.K. and Overseas	(14.6)	(18.3)	(25.7)
Loss after Taxation	(60.5)	(63.2)	(95.6)
Minority Interest	(0.6)	(0.6)	(2.4)
Net loss attributable to Shareholders	(59.9)	(62.4)	(93.2)
Earnings per Share	(13.8p)	(14.6p)	(21.7p)
Principal exchange rates used in translating overseas results			
U.S.A.	\$1.74	\$1.93	\$1.93
Canada	\$2.01	\$2.24	\$2.24

- Notes
- Under a Scheme of Arrangement sanctioned by the Court of Session under Section 425 of The Companies Act 1985 and effective on 31st July, 1990 the shareholders of General Accident Fire and Life Assurance Corporation plc received for each share held, two new shares of 25p each fully paid in General Accident plc. Earnings per share for the three months to 31st March 1990 have been restated.
 - Investment Income includes in 1991 £2.9m representing amortisation of US deep discount bonds (1990 £2.7m which was not credited to earnings).
 - The NZI Bank result includes gains and losses both realised and unrealised on investments held for trading purposes.

Analysis by Territory of General Business Premium Income and Underwriting Result

	3 months to 31.3.91 Premium Income £m	3 months to 31.3.90 Premium Income £m	3 months to 31.3.91 Underwriting Result £m	3 months to 31.3.90 Underwriting Result £m
U.K.	256.3	270.2	(92.5)	(80.2)
U.S.A.	254.4	196.5	(39.7)	(25.2)
Europe other than U.K.	54.7	53.5	(10.3)	(15.2)
Canada	98.8	74.7	(4.8)	(4.0)
Pacific	77.4	70.6	(11.2)	(12.0)
Other Overseas	24.4	22.1	(3.5)	(2.7)
London Market Business incl. Internal Reinsurance	29.1	28.6	(5.0)	(14.6)
	819.1	716.2	(167.3)	(153.9)

Net written premiums and investment income increased in sterling terms by 14.4% and 19.0% respectively. Adjusted to exclude the effects of currency fluctuations, the increases were 8.0% and 8.1% respectively.

In the United Kingdom, net written premiums were £286.3m (1990 £270.2m). There was an underwriting loss of £92.5m (1990 £80.2m) loss net of internal reinsurance) after a provision of £3m in respect of the VAT changes introduced in the 1991 Budget. The Homeowners' and Commercial Property accounts reported losses of £20.9m and £21.7m respectively, which compared with losses of £26.9m and £28.0m in 1990, when both accounts were affected by severe weather losses. The Motor account, continuing to reflect the escalation in the frequency and average cost of claims seen in the later months of 1990, produced a loss of £32.0m (1990 £14.0m loss).

In the United States, net written premiums were \$442.8m (1990 \$379.2m) and the operating ratio was 115.68% as compared with 112.67% for the same period last year, due to deterioration in personal lines business. On the United Kingdom basis, the underwriting loss was £39.7m (1990 £25.2m loss).

Elsewhere there were aggregate underwriting losses of £34.8m (1990 £48.5m loss). In the same period last year European and Internal Reinsurance results were adversely affected by weather losses. In Canada there was a continuation of the excellent 1990 results. Underwriting losses in the Pacific were down following a much better result from New Zealand.

New annual premiums for life business in the United Kingdom for the three months were £11.6m (1990 £13.6m) while single premiums have increased by £11.6m to £21.5m (1990 £9.9m).

Apollo Metals dividend up in spite of setback

By Paul Chesswright, Midlands Correspondent

Apollo Metals, the aluminium processing and distribution company based in Birmingham, is raising its interim dividend in spite of a decline in half-yearly pre-tax profits.

During the six months to last March, pre-tax profits before tax were £989,000 compared with £1.18m in the 1989-90 first half, when earnings were eroded by a decline in half-yearly pre-tax profits.

Earnings per share for the 1989-90 first half slipped to 4.5p (8.1p) while the interim dividend is raised 15 per cent to 1.15p a share.

Mr Clive Orford, Apollo's deputy managing director, says that the dividend cover was high. He presented the increase as an indication of faith in the longer-term potential of the company while conceding that the existing level of profits was not as high as the board would like it to be.

Against the background of recession, demand for Apollo's products has been, and remains, patchy.

Sales to the general engineering sector have been hurt by the downturn and a fall in export volumes, so that margins have been squeezed. But, among customers in the aerospace and defence industries, demand has remained reasonable without putting margins under pressure.

£2.2m frozen foods buy for Booker

Booker, the food distribution and agribusiness group, is acquiring Wa Bennett Foods of Sheffield for £2.2m cash.

The company will be merged with Pullman Foods, a supplier of frozen food to the catering market.

Of the consideration, £1.88m was paid on completion, and the balance will be paid on the finalisation of the audited completion accounts.

Sales for the year to February 22 were £14.3m and net assets at the end of the period were estimated at £206,000.

Improvement at Drayton English

Over the six months ended April 30 1991 net asset value of Drayton English & International Trust improved from 105.4p to 108.4p per share.

At April 30 1990 it had stood at 139.1p.

In the year ended April 30 1991 gross revenue rose to £6.07m (£5.6m), and net revenue moved up to £2.69m (£2.62m).

That gave earnings per share of 3.16p (3.03p), and a final dividend of 4.5p lifts the total to 3.2p (3p).

NOTICE
To Holders of Depositary Warrants Issued with 7% per cent Bonds due 1992 of Costain Group PLC

and
7% per cent Guaranteed Redeemable Convertible Preference Shares 2003 of Costain Finance N.V.

Notice is hereby given that at the Annual General Meeting of Costain Group PLC to be held at Bromsgrove Hall, Shropshire Place, Birmingham, on Tuesday 21st May 1991 at 10.00 am, the terms of Special Business will be considered relating to, *inter alia*, the offer of new shares in the form of cash dividends declared before the conclusion of the Annual General Meeting of Costain Group PLC to be held in 1991.

BY ORDER OF THE BOARD

Copies of a circular containing details of the Special Business may be obtained from the registered office of Costain Group PLC, 111 Westminster Bridge Road, London SE1 7UE

Alexanders Hlds down by £500,000

EXCEPTIONALLY poor vehicle sales hit Alexanders Holdings, the largest Ford main dealer in Scotland, in the first half.

Turnover was maintained at £43.9m in the six months ended March 31, 1991, against £43.8m, but pre-tax profits slumped from £707,000 to £207,000.

Mrs Aleksandra Clayton, who heads the company, said the second half had traditionally been stronger and "we hope to have a reasonably good year".

The group enjoyed a high degree of liquidity, Mrs Clayton added.

During the period refurbishment and extension to the Edinburgh showroom was completed.

After a lower tax charge of £47,000 (£181,000) earnings per share fell to 0.381p (1.284p).

Growth slows at Huntingdon

Huntingdon International, the biological safety testing and engineering services group, increased its pre-tax profits by just 2 per cent to £3.2m in the quarter to March this year. For the six months ended March 31 profits rose by 7 per cent, from £5.83m to £7.3m.

Revenue in the quarter grew by 25 per cent to £27.56m, Mr Dennis Woolley, the chairman, said. Huntingdon's revenues had not risen as fast as expected and costs were not shed as rapidly as desired, especially in the Life Sciences sector.

Earnings per share fell from 3p to 2.8p and the company resolved an interim dividend of 0.575p per share.

Revenue in the engineering and environmental services group grew by 61 per cent, despite the low level of construction activity in the US but margins suffered.

Whiteley, the UK engineering and environmental company began to benefit in its water-related business as a result of the introduction of the Environmental Protection Act.

Mining & Allied static at £0.16m

Organisational and management changes implemented last year enabled Mining & Allied Supplies to hold its interim pre-tax profit at £181,000.

The comparison was £167,000, which was reduced to £150,000 by the end of the year to September 30 1990.

The result was achieved on turnover 24 per cent down at £10.4m. Earnings were 0.38p (0.14p) per share.

The UK subsidiary continued to be affected by depressed conditions in the manufacturing industry in the west Midlands, and made a negligible contribution.

In Canada, the labour disputes and plant closures experienced by many customers continued in the first half. Those disputes had been settled, and there were indications of improved results in the second half.

Slough Estates plc

(Incorporated in England)

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of

141,532,467 8.25p (net)

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of 25p each at 100p per share

The listing particulars relating to the above mentioned Convertible Redeemable Preference shares are included in the Companies Fitch Service available from The Stock Exchange and may be obtained for collection only during usual business hours up to and including 17th May, 1991 from the Company Announcements Office, 46-50 Finsbury Square, London EC2A 1DD and during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 29th May, 1991 from:

Slough Estates plc
234 Bath Road
Slough SL1 4EE

S.G. Warburg & Co. Ltd.
2 Finsbury Avenue
London EC2M 2PA

S.G. Warburg Securities
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15th May, 1991

General Accident plc

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FT LAW REPORTS

Bank retains right to order disclosures

A AND OTHERS v B BANK, BANK OF ENGLAND INTERVENING
Queen's Bench Division
Commercial Court
Mr Justice Hirst
May 10 1991

THE BANK of England's statutory power to order an authorised deposit-taking institution to disclose documents which the Bank reasonably requires for performance of its supervisory functions, overrides a court order restraining the institution from disclosing the documents to any third party pending trial of an action against it.

Mr Justice Hirst so held on an application by the defendant, B Bank, for directions as to whether, despite an injunction restraining it from disclosing documents pending trial of an action by the plaintiffs, A and others, it was free to comply with a Bank of England notice for their disclosure.

HIS LORDSHIP said that on August 13 1990 Mr Justice Morland granted A and others an injunction restraining B Bank, until trial or further order, from disclosing to the New York grand jury or "any third party" all documents and information held by B Bank at its London branches or elsewhere within the jurisdiction.

B Bank had been ordered by a subpoena issued in New York on July 24 1990 to produce the documents referred to in the injunction.

On April 26 1991 the Bank of England served on B Bank a notice under section 39(3)(a) of the Banking Act 1987, requiring it to produce specified documents comprising all or some of the documents covered by the injunction.

The documents related to the accounts of seven of the plaintiffs, including A, on the ground that they were reasonably required by the Bank of England for performance of its functions under the Act.

The notice specified various classes of documents relating to acquisition of three US banks by A, US bank holding company.

On the present application B Bank sought directions as to whether notwithstanding Mr Justice Morland's order, it was at liberty to comply with the section 39 notice.

B Bank was anxious to comply with the notice, but was concerned that compliance might breach the injunction.

Section 1(1) of the Banking Act provided that the Bank of England should have the powers conferred on it by the Act "and the duty generally to supervise the institutions authorised by it in the exercise of those powers".

By section 3 no person in the UK could accept a deposit in the course of a deposit-taking business, unless authorised by the Bank of England.

One of the minimum criteria for authorisation was that the business must be conducted "in a prudent manner". B Bank was an authorised institution.

Section 39(3) empowered the Bank, by notice in writing, to require an authorised institution to disclose to it such information or documents as it might reasonably require for performance of its functions under the Act.

Section 39(11) provided that any person who "without reasonable excuse" failed to comply with a section 39 requirement, should be guilty of an offence and liable to imprisonment or fine.

Section 40(1) provided that Bank of England officers might enter any premises occupied by a person on whom a section 39 notice had been served, for the purpose of obtaining the required information or documents.

Section 40(3) provided that any person who intentionally obstructed those officers would be liable to imprisonment or fine.

The basis for the section 39 notice was set out in an affidavit sworn by Mr Roger Barnes, assistant director of the Bank of England and head of the banking supervision division.

His evidence was that notice was served for the purpose of an investigation into information from the board of governors of the Federal Reserve System, that B Bank had acquired control of a US bank holding company and subsidiaries, and two other banks, in violation of US law.

He said he was also informed that B Bank and its agents appeared to have made false and fraudulent statements to the board, regarding ownership and control of the bank holding company and another bank.

He said, if true, those matters were of concern to the Bank of England as supervisor of B Bank. He was satisfied that the documents were necessary for the Bank of England to discharge its supervisory functions in respect of B Bank.

He was also satisfied that it was "reasonable" to require production of the documents.

The main issue was whether section 39 overrode the injunction. Mr Beloff for B Bank said there was no basis for implying an exception to the prohibition in the injunction to the effect of "otherwise than pursuant to a section 39 notice".

He said Parliament could by legislation have provided for revocation or variation of an injunction, but it did not do so in section 39. It would be surprising, he submitted, if Parliament had given the Bank of England the right to issue notices calling for immediate production of documents which overrode court orders, and it would be constitutionally anomalous to allow an executive order to override a judicial order.

He submitted that a court order provided a "reasonable excuse" within section 39(11). Mr Langley for the Bank of England said the basis of the injunction was the bank/customer relationship of confidence, and it was well-established that the duty of confidence was overridden by the duty to comply with the law (see *Taylor No 2* [1989] 3 All ER 553).

Since the Act overrode the duty of confidence, he said, it must also override any orders made on that basis, otherwise the Bank of England could not properly discharge its public duty of supervision.

As to section 39(11) he relied on *Bank of England v Riley, CA, unreported, October 17 1990*. There Lord Justice Ralph Gibson, referring to exclusion of privileges against self-incrimination under section 42 of the Act, said that "reasonable excuse" in section 42 covered "such matters as physical inability to comply with a requirement for information or documents arising from illness or accidental destruction".

Finally, he said, there was a strong presumption against the court having made an order which could have the effect of overriding or emasculating section 39.

Mr Philipson for A and others supported Mr Beloff's arguments.

The statutory purpose of the Act was contained in section 1. The scope of the public duty to supervise authorised institutions was extremely wide, since the authorised institutions included, under section 3, all "deposit-taking business".

In fulfilling that duty the Bank of England might often be faced with situations where extremely urgent action was required, and where delay could result in losses to substantial numbers of customers of such institutions, whose interests the Act was designed to protect.

Mr Beloff and Mr Philipson had argued that the Bank of England would not suffer any inconvenience if it had to apply to vary an injunction before it could set the section 39 process in motion.

That argument was rejected. In most cases the Bank of England would not know of the existence of an injunction until after notice was served.

It was manifest that fulfilment of the Bank of England's public duty overrode the duty of confidence to customers.

Both Mr Beloff and Mr Philipson placed strong reliance on section 39(11), but an injunction did not qualify as a "reasonable excuse" within that subsection.

The situations envisaged by subsection (11) were well illustrated by *Riley*, which was dealing with the same words in another section of the same Act. The terms of section 40 strongly supported those conclusions.

Section 40(1) allowed Bank of England officers to enter premises, with no protection of "reasonable excuse" accorded to the person on whom the notice was served. Indeed, any obstruction would, under subsection (3), expose that person to the risk of prosecution.

Section 39 overrode the injunction.

For the reasons given by Mr Langley the injunction as framed should be interpreted as not prohibiting compliance with the section 39 notice.

Mr Barnes's evidence was accepted in its entirety. The documents were reasonably required by the Bank of England for performance of its functions under the Act.

Mr Philipson said the notice was defective because it specified documents by class, not individually.

It was proper for documents to be specified by class in a section 39 notice.

For B Bank: Michael Beloff QC and Ali Malek (Stephenson Harwood).

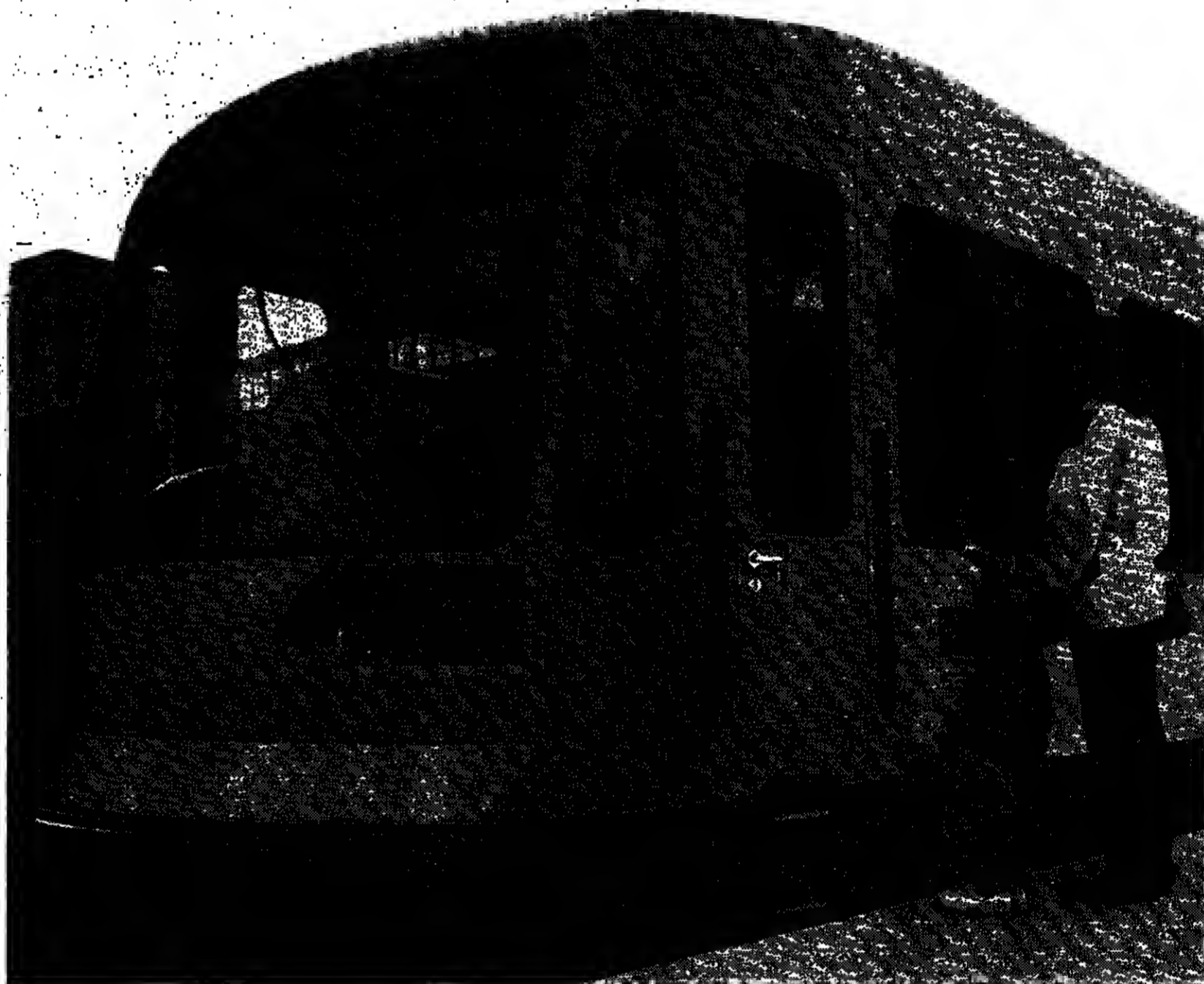
For A and others: Trevor Phillips QC and Timothy Worrington (Derris Leighton).

For the Bank of England: Gordon Langley QC and Thomas Keith (Frestfields).

Rachel Davies
Barrister

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COMMODITIES AND AGRICULTURE

Western companies await decision by Soviets on oil

By John Lloyd in Moscow

WESTERN oil companies expect a decision from the Soviet authorities within the next few months on their participation in major oil fields in the Soviet Union.

The Soviet Oil and Gas Ministry has told the companies that it is considering forming some 15-20 consortia of oil producing enterprises, which would be granted the freedom to trade more freely with the west, and to grant concessions and attract the investment of western partners.

The first decision is likely to be made on the so-called Azeri field, in the deep waters of the Caspian Sea, off Baku, the Azerbaijan capital.

Three companies - the US companies Amoco and Unocal and the British company BP - are now on a short list of possible consortium partners, with one likely to be chosen as a main contractor and the other two also participating.

The total reserves in the field are estimated at between 600-700 million tonnes, with recoverable reserves put at over 250 million tonnes.

Though the Union ministry is co-ordinating the projects,

the Azeri authorities are being allowed a relatively wide degree of latitude to determine the contracts, according to western oil companies.

One recent sign of liberalisation is a report that the Soviet Union's largest oil producing region in Siberia, are to be allowed to trade 1m barrels of oil through a commodity exchange opened by the enterprise in Moscow.

Mr Valery Neverov of the Exxon, the large US oil company, said yesterday it was being sold for \$450,000 for Soviet participants and \$100,000 for foreign participants, until the end of August.

An initial test sale at the end of last month saw 6,000 tonnes of oil sold at between \$175-245 a tonne.

Mr Eugene Khartukov, head of the World Energy Analysis and Forecasting Group in

Moscow, told a conference in Singapore that the Soviet Union would be a net importer of oil by 1996.

He said that unless radical market reforms were continued and foreign oil companies encouraged to co-operate with Soviet producers, the production levels of last year at 11.5m barrels per day (bpd) would decline by the end of the century to 9m bpd. At the same time, the present level of domestic consumption at 8.5m bpd would rise to 11m bpd.

Mr Khartukov said that a free economy and an influx of western investment would lead to an output of 12m bpd by the year 2000. However, on the more likely forecast of slow reform, production would fall slowly to 10m bpd by the end of the century.

"The oil producing fields are badly watered and depleted and at least one third of the oil pipelines need replacing. But who really cares when there is not the slightest stimulus to work - let alone work better and even worsening living and working conditions tempt the oil workers to go on strike."

Chilean miners want copper-bottomed deal

Lesley Crawford in Santiago on the critical labour issue facing Aylwin's government

Chile's powerful Copper Workers Confederation (CTC) will be pressing for large wage increases and the restitution of privileges lost under military rule when pay talks begin with the state copper corporation Codelco this week.

Negotiation on new two-year contracts for Codelco's 26,000 employees is by far the most critical labour issue facing Chile's year-old civilian government. Since democracy was restored in March 1990, copper workers have won back the right to collective bargaining and the right to strike at Chuquibambilla, the world's largest copper mine. After Gen Augusto Pinochet's 16-year dictatorship, the miners are insisting to test their strength.

The talks kick off on May 16, when Chuquibambilla's 9,000 workers lodge their pay claim. Mr Max Pizarro, a union leader at the mine, says the negotiations will be "complicated and very tough". The miners are seeking a real wage increase of over 15 per cent for the next two years. This is expected to form the benchmark for negotiations at Codelco's three other mining divisions - Andina, Salvador and El Teniente.

In addition, the unions have a long shopping list of demands: they want wages to be adjusted monthly in line with inflation (to perk lost under military rule), 25-day vacations, a uniform productivity bonus for all miners, and they want Codelco to set aside 5 per cent of its profits (which topped \$1.83bn last year) to build more houses for employees. They are also urging Codelco to absorb some 16,000 contract workers into the company payroll.

Rising tensions over the forthcoming pay talks have been compounded by poor labour relations and pit accidents which have claimed the lives of nine miners this year. "Production is the best alone. Workers are unhappy with safety at the mines, and Mr Pizarro says that the accidents have created a climate of distrust."

Mr Maximiliano Pacheco, Codelco's operations vice-president, says the company is investing millions of dollars to improve safety at work, maintenance and environmental standards. But there is one union demand on which the company will not budge: the miners want Codelco to purge

managers who were appointed under Gen Pinochet's rule, and have staged go-slows in Chuquibambilla and El Teniente to protest against their "authoritarian" practices. Mr Pacheco says there will be no political witch-hunt inside Codelco. Managers are assessed on their technical abilities alone.

Codelco has until the end of May to reply to CTC's pay claim. Negotiations will begin in earnest in June, when both sides meet to hammer out the new two-year contracts. And for the first time ever, miners will have the right to vote on Codelco's final offer in a secret ballot.

Codelco's executives, appointed by President Patricio Aylwin, are confident that their first pay negotiations will not lead to strikes. "There is a new climate of understanding in the country and a will to avoid confrontation," says Mr Pacheco. He points out that Codelco's miners are the best paid in the country. Wages average \$440 per month, and a host of bonuses and incentives top up earnings with another \$300.

But Codelco, which produces about 10 per cent of the world's copper (1.2m tonnes last year),

is caught between the need to avoid a damaging pay conflict and the struggle to raise productivity at its overmanned and ageing mines.

Lay-offs are out of the question - the idea was tentatively mooted last year by Mr Alejandro Noemi, Codelco's president, and immediately shot down by the 19,500-strong Copper Workers Federation. The company's early retirement scheme has not even begun to scratch the surface of the problem.

Mr Pacheco says productivity will only rise with big capital outlays to upgrade machinery and environmental standards. The company recently signed a \$62m contract with Mitsubishi to build a new acid plant at Chuquibambilla which will reduce the smelter's arsenic and sulphur dioxide emissions. Vast sums are also needed at El Teniente to allow the world's highest underground mine to continue boring into the brittle primary rock that contains most of the remaining reserves.

Part of El Teniente was shut down last year after a series of rock bursts killed eight workers. The section was reopened in April, but it will need

reinforced steel arcs and cement injections to keep the tunnels safe.

The need for more investment is pitting Codelco's executives against the government. Since the state company's creation in 1978, all of its profits have been pocketed by the Treasury. The transfers account for about a quarter of the government's income, and the Finance Ministry is reluctant to part with a single peso.

Codelco's annual investment budget of about \$800m is drawn from its depreciation reserves, and according to Mr Pacheco, is barely enough to keep the four divisions ticking over. He estimates that Codelco needs to invest between \$800m and \$450m a year to arrest declining production and to clean up the industry.

Extra sums will be needed if Codelco is allowed to enter into joint ventures with private sector companies to develop new reserves. Codelco owns about 30 per cent of the mining property in Chile, but only a fraction of this is being exploited. Mr Pacheco hopes that a new law authorizing Codelco to seek mining partners will be in the statute book before the end of the year.

Canadian gas project approved

By Bernard Simon in Toronto

CANADA'S National Energy Board has given the final go-ahead for construction of a \$2.4bn (\$1.1bn) project to supply Alberta natural gas to power utilities, consumers and industries in eastern Canada and the north-east US.

As part of the project, which is Canada's biggest gas export scheme, the NEB also approved 15 licences for the export of 1.6 trillion cubic feet of gas to the US for the Iroquois Gas Transmission System.

The project involves construction of 1,500km of pipeline and 21 new compressor units on the Canadian side of the border, as well as a pipeline network as far south as Long Island in the US.

TransCanada Pipelines of

Calgary, which operates the Canadian pipeline and is a 29 per cent shareholder in the Iroquois consortium, has already completed one section of the project in northern Ontario, and construction of the US portion is well advanced.

The first deliveries of gas to the Iroquois system are scheduled for this November. If all goes well, volumes will pick up from 50m cubic ft a day in November to 237m next January and the full 576m in November 1992.

In its report, which is the culmination of a two-and-a-half year regulatory process, the NEB acknowledged that the north-east US gas market is a highly competitive one, and that the long-term size of it is uncertain.

However, it concluded that if there is a risk in demand projections, it is probably on the upside.

The board concluded that "contracts have been signed and commercial agreements made which indicate a market for gas and a role for Canadian supplies at least over the periods of the contracts underpinning the expansion." The contracts generally extend for 15 years.

The growing popularity of natural gas is reflected in a proposal announced late last week by the New York Power Authority to build a 150,000 kilowatt gas-fired power station to supply electricity to Long Island. The plant will also be able to use distillate oil as fuel.

Moves to unified white sugar market in Europe

By David Blackwell

THE IDEA of a unified white sugar market for Europe took a step towards becoming reality with the announcement earlier this week that the London and Paris markets were talking about the possibility of merging.

The directors of France's Matif, where white sugar is traded by open outcry, have not made any secret of their belief that there is room for only one viable market in Europe. Matif lost much of its business to the London Futures and Options Exchange (Fox), which successfully relaunched a white sugar contract in 1987.

The Fox contract is traded on its screen system, and has the advantage of much lower overheads than a pit trading system. The London trade business which had been forced to go to Paris rapidly switched back to the capital, and the Fox market now provides the benchmark price for white sugar.

However, it remains a small market, trading an average of 1,000 to 1,500 lots (50 tonnes each) a day, compared with 800 to 900 lots a day in Paris.

Fox launched its white sugar contract while the raw sugar market was still trading through open outcry. However, early this year Fox put the raw sugar contract onto screen trading after volumes had fallen dramatically.

The International Sugar Organisation yesterday raised its estimate for the 1990-91 world sugar surplus to 3.6m tonnes, compared with a previous estimate of 2.06m tonnes. "The scale of the surplus has changed quite dramatically," the ISO said. "Production in Thailand, China, India and Mexico has turned out to be significantly higher than anticipated. At the same time demand has remained stubbornly flat."

The benchmark price for raw sugar is taken from the New York market, where volumes are large, attracting speculative money. One of the reasons for mooting a unified white sugar market in Europe is the fear that New York might revivify its own white sugar contract, which barely trades.

Fox stresses that talks are at a very early stage, pointing out that there are all sorts of legal and regulatory hurdles which would have to be overcome. While a unified market would be more likely to use screen trading, even this has not been decided yet.

However Mr Jon Payne, marketing director at Fox, is convinced the merger "has got to come". He points out that Europe, a big exporter of white sugar, is now the centre of the world trade in physical sugar.

Pakistan's farm incentives

By Farhan Bokhari in Islamabad

PAKISTAN'S government yesterday announced fresh incentives to boost production in the economically significant agricultural sector.

Agricultural income for Pakistan's farmers, almost 70 per cent of export revenues and 26 per cent of gross domestic product, while 51 per cent of the labour force is employed in the sector.

Import duties are to be removed on equipment for dairy and poultry farms. Among other things, new poultry and fish farms were exempted from paying income tax for a period of eight years, and the government also promised to take steps for introducing the use of cheaper pesticides.

The new policy came as the first major step to boost agricultural production since the

government of Prime Minister Mr Nawaz Sharif came to office, November last year. Most of the government's previous initiatives have focused on privatisation and elimination of government controls over state-owned industries and banks.

Announcing the policy, agriculture minister Mr Majid Malik told journalists in Islamabad, that Pakistan's success in increasing agricultural production would be crucial in efforts to improve the economy.

"Unless agriculture is given a boost, nothing else works," he said.

But, in response to a question on whether the government would introduce a controversial income tax on income from agricultural farm lands, Mr Malik said that the issue

was still being considered by the cabinet.

Under existing laws in Pakistan, such agricultural income is exempt from income tax. Farmers pay a nominal tax on government-supplied water and land revenue.

Developmental planners have argued for years that this exemption must be removed and agricultural income should be taxed. They have, however, been opposed by Pakistan's influential land owners.

In recent years, officials have also alleged that some industrialists have bought farm lands to declare their corporate income under the agricultural head, as a way for tax evasion.

Mr Malik said the government was aware of the problem and was trying to block loopholes for tax evasion.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,640-1,690 (1,600-1,700).

BISMUTH: European free market, 99.9 per cent, \$ per lb, in warehouse, 2.65-2.90 (2.60-2.90).

CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 2.00-2.15 (same).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse,

14.00-14.35 (13.60-14.00).

MERCURY: European free market, 99.99 per cent, \$ per 76 lb flask, in warehouse, 125-135 (same).

MOLYBDENUM: European free market, drummed molybdenum oxide, \$ per lb Mo, in warehouse, 2.48-2.56 (2.50-2.56).

SILICON: European free market, 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, cif, 54-60 (50-60).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, cif, 2.40-2.50 (2.50-2.60).

URANIUM: Nueco exchange value, \$ per lb, U₃O₈, 9.30 (same).

LEAD: Warehouse stocks (in mt) (Monday's close)

Aluminium	+1125 to 370,250
Copper	+11650 to 273,725
Lead	-220 to 14,700
Nickel	-40 to 6,900
Platinum	-620 to 118,225
Zinc	-640 to 15,750

WORLD COMMODITIES PRICES

Cocoa - London POX

	Close	Previous	High/Low	Volume
May	580	585	580-582	
Jul	615	620	615-620	
Sep	641	634	642-632	
Dec	675	680	676-687	
Mar	708	708	708-710	
May	728	721	730-725	
Jul	750	743	753-745	

Turnover: 5365 (1000) lots of 10 tonnes
Cocoa indicator prices (US cents per pound). Daily price for May 13 770.11 (765.48) 16 day average for May 14 803.76 (806.54)

COFFEE - London POX

	Close	Previous	High/Low	Volume
May	532	532	533-530	
Jul	559	560	562-557	
Sep	591	592	593-589	
Dec	604	605	606-602	
Mar	623	623	623-625	
May	641	641	644-638	

Turnover: 2304 (2000) lots of 5 tonnes
100 indicator prices (US cents per pound) for May 13 : Comp. daily 87.95 (88.23) 15 day average 85.55 (86.14)

POTATOES - London POX

	Close	Previous	High/Low	Volume
Mar	123.9	123.3	124.8-123.9	
Apr	124.3	123.3	124.4-124.8	
Turnover: 182 (100) lots of 40 tonnes				

SOYABEANS - London POX

	Close	Previous	High/Low	Volume
Jun	124.00	124.50	124.00-124.00	
Aug	125.00	125.75	125.00-125.00	
Turnover: 82 (50) lots of 20 tonnes				

WHEAT - London POX

	Close	Previous	High/Low	Volume
May	165.9	165.4	165.0-165.9	
Jul	169.1	169.1	169.0-169.1	
Sep	171.0	171.0	171.0-171.0	
Dec	173.0	173.0	173.0-173.0	
Mar	175.0	175.0	175.0-175.0	
Turnover: 248 (184)				

GRAIN - London POX

	Close	Previous	High/Low	Volume
Jun	135.50	135.25	135.00-135.40	
Sep	141.00	141.00	141.00-141.00	
Dec	143.00	143.00	143.00-143.00	
Mar	145.00	145.00	145.00-145.00	
Turnover: 216 (118), barley 3 (101)				

WHEAT - London POX (Cash Settlements)

	Close	Previous	High/Low	Volume
Jun	121.5	122.5	121.8-121.8	
Aug	117.5	118.5	117.1-117.1	
Oct	115.0	115.5	115.0-115.0	
Turnover: 2 (101) lots of 3,250 kg				

SOYBEANS - London POX

	Close	Previous	High/Low	Volume
Jun	142.00	142.00	142.00-142.00	
Aug	142.00	142.00	142.00-142.00	
Oct	142.00	142.00	142.00-142.00	
Dec	143.00	143.00	143.00-143.00	
Mar	143.00	143.00	143.00-143.00	
Turnover: 142.00				

LONGON MENTAL EXCHANGE

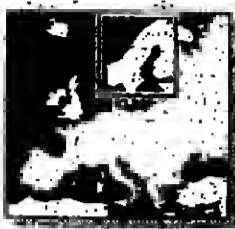
PRICE	(Prices supplied by)	
Previous	High/Low	AM Official
\$ per tonne)		
1282-4		1321-2
1313-4	1355/1295	1348-50
mm)		
1442-4	1365/1227	1350-5
1345-7	1318/1286	1310-1

NORWAY

Wednesday May 15 1991

■ Economy in good shape despite worries on unemployment Page 2

■ Oil and gas: where prospects couldn't be better Page 4



Norway's relations with western Europe now dominate its political and economic life. Mrs

Brundtland, the prime minister, believes it will be a long haul to convince her countrymen that their future lies inside an expanded Community, writes Robert Taylor

On edge over Europe links

NORWAY this spring seems paralysed by indecision over its future relations with western Europe. With its neighbour Sweden about to send off a membership application to join the European Community and the probability that the current EC-EFTA negotiations "on a European Economic Area will produce at best only a feeble agreement, the country remains unsure of what it should do, with signs of growing organised opposition to any suggestion that Norway should become an EC member.

The timetable for European integration is going too fast for the comfort of most Norwegians. Many are full of gloom about the prospects, afraid that any national debate over joining the EC will revive all the old bitterness and conflict that scarred the country's referendum on the subject 19 years ago. At this month's May 1 Labour rallies many people brandished "No to the EC" posters, showing that emotions remain high in Norway on the issue - to the alarm of leading members of the Norwegian minority Labour government.

The rest of Europe may have experienced tumultuous change since the summer of 1989 but memories in Norway

still seem fixed firmly on the trauma of 1972 with most people agreeing there must be no repetition of that painful time which led to rejection of membership of the Community.

Unfortunately for Norway, it will be difficult to avoid fresh convulsions over the EC. The country is going to be forced - perhaps sooner rather than later - to take a view on whether or not to apply for membership. To Mrs Gro Harlem Brundtland, the Labour prime minister, the political dilemma is acute though it is not sufficiently recognised as such outside Norway.

Her minority government came to power only last November when the non-Socialist coalition which had been formed just over a year earlier after the indecisive September 1989 general election collapsed. With only 63 seats in the 165-strong parliament, the Labour party relies on the support of others to stay in office. Yet, under the constitution the government cannot call a new general election. The present parliament has to remain in being until September 1993.

Mrs Brundtland is known personally as a strong supporter of EC membership but she does not want to have to



Prime minister Brundtland (left)



and a key rival, the Conservative leader Kaci Kullmann Five

make her intentions clear on the question for the time being.

The prime minister repeatedly says the Labour party will make up its mind at its next conference in November 1992. A discussion document on the subject is to be published this autumn for debate by party members in the run-up to the conference. The leadership will make its position clear then, but Mrs Brundtland's step-by-step strategy is designed to keep the party together as long as possible.

Nevertheless, the Labour party leadership might speed up the timetable. On June 21-22, when the governing council is due to meet, party members may try to force the EC question onto the agenda. They could demand the calling of a special party conference to decide on the EC and under Labour's rules this could be held after six months. Much depends on how the discussions go in the next few weeks between the EC and EFTA.

Mrs Brundtland made it clear in her own May Day speech that it was inconceivable that Norway could remain outside the EC if both Sweden and Finland joined. But for the moment she still hopes a strong EEA agreement can be

reached which will at least provide some breathing space.

Indeed, the Norwegian government believes there is no real need for haste. Ministers have been told by Brussels that negotiations on the inclusion of new member states in the EC are unlikely to start until early 1993 so there is plenty of time for Norway to prepare itself alongside the other Nordic states who want to join EC. Moreover, it is often forgotten that the preliminary work on the country's EC membership was done 20 years ago when Norway first applied.

Mrs Brundtland and her colleagues believe it will be a long haul to convince the majority of Norwegians that their future lies inside an expanded Community. That attitude may seem ultra-cautious but it reflects an awareness of public opinion. "Apparently 430m people inside the EC are wrong about it and 4m Norwegians are right," says Mrs Five, the Conservative leader.

Feelings among many Norwegians about the EC still seem deep and divided. "It is no good telling people here that we should join the EC because other European countries want to do the same. We have to find strong Norwegian

reasons why we should do so," explains one sceptic.

That will not be easy. Both history and geography provide strong arguments for the anti-EC forces. "We were dominated by the Danes from 1389 until 1814 and then by the Swedes until 1905. You must never forget many of our people have a colonist's attitude to the outside world," says Professor Henry Valen at Oslo's Institute for Social Research.

The EC is still seen as much more of a threat to Norway than an opportunity. Worries about rich Germans buying up Norwegian summer homes are not confined to the lunatic fringe. The Nazi occupation may have ended over 45 years ago, but it was only in 1989 that German troops began to take part in Nato exercises on Norwegian territory.

Moreover, as a country on the very edge of northern Europe Norway naturally looks outward towards the Atlantic, not south to continental Europe. Its insularity and isolation remain formidable. It is still a young nation whose sovereignty and independence are fiercely defended.

What those who want Norway to join the EC have to avoid is any suggestion that

the country has no real choice to make. The pro-EC campaigners in 1972 warned that if Norway did not join the EC it would be devastating for the economy and destroy people's living standards. In fact, the opposite happened.

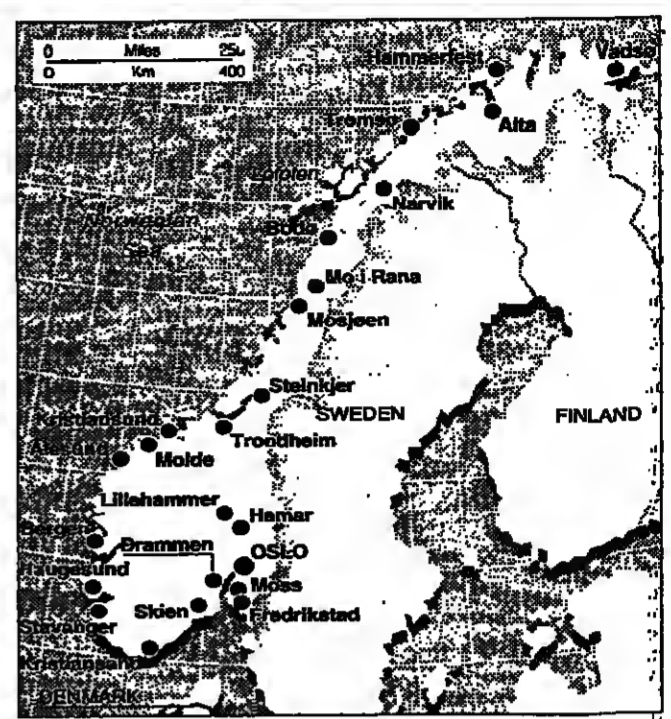
Oil and gas revenues after the mid 1970s heralded a new era of unprecedented prosperity for Norway as it became one of the two largest energy suppliers in western Europe. The realisation that Norway could get along quite well on its own strengthened the anti-EC position.

Yet, whether people are aware of it or not, Norway is moving inexorably closer to the rest of western Europe under the pressure of the country's increasing internationalisation. The most obvious public sign of this has been the financial liberalisation which culminated in the abolition of foreign exchange controls in the summer of 1990.

Last November Norway took another important step towards an integrated capital market for western Europe when it was decided - with little fuss - to peg the krone to the European currency unit, the Ecu. Mr Harald Stenland, governor of Norway's Central Bank, says that the country intends to go further and link the currency to the exchange rate mechanism of the European Monetary System.

The policy-makers accept Norway cannot cut itself off from the rest of Europe and that its freedom of action is already severely limited by its international obligations. But they also recognise they must argue and persuade most Norwegians to accept the desirability of EC membership. It will not be easy.

Norway remains in a troubled, peculiar mood at the moment. "There are more people with open minds than closed ones now over the EC," said one of Mrs Brundtland's senior advisers. But nothing can be left to chance. The sooner the arguments for the EC are deployed in the national debate, the better. Otherwise those stubborn forces of history and geography will ensure that Norway remains aloof from the process of European integration.



KEY FACTS

Area	386,958 sq km
Population	4.25 million (1990 estimate)
Average Exchange Rate	1980 \$1 = Nkr6.90 1990 \$1 = Nkr6.26
ECONOMY	
Total GDP (\$bn)	90.9
Real GDP growth (%)	1.2
GDP per capita (\$)	21,488
Components of GDP (%)	
Private Consumption	50.3
Gross Fixed Investment	27.2
Stockbuilding	-2.5
Government Consumption	20.8
Exports	41.8
Imports	-37.6
Consumer prices (% change pa)	4.8
Unemployment (% of lab force)	4.8
Reserves minus gold (\$bn)	13.8
Discount rate (% pa, year end)	11.0
Cash SE industry index (% change over year)	+46.8
Current account balance (\$bn)	0.2
Exports (\$bn)	27.2
Imports (\$bn)	23.4
Trade Balance (\$bn)	3.8
Main Trading Partners 1988, % by value	
UK	26.8
Sweden	12.4
West Germany	12.1
US	8.8
EC	65.2
EFTA	15.2
Exports	8.7
Imports	18.1
	14.4
	11.8
	48.1
	24.5

Source: IMF, Datastream, Economist Intelligence Unit.

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Energy to the future

NORWAY 2

The main worry is unemployment, reports Robert Taylor

Economy moving 'in right direction'

NORWAY'S ECONOMY looks in better shape than most in western Europe this spring. "There are grounds for optimism," says Mr. Torgeir Skarland, vice-president of the employers' organisation, NHO. "People are working harder, saving more and spending less. Norwegians are showing common sense."

Even the cautious Central Bank governor Hermod Skanland takes a relatively cheerful view of today's economic prospects. "We have had a fair amount of success in maintaining the balance in the economy," he says. The Finance Ministry view is that "much of the economy is now going in the right direction."

Last year, the rise in Norway's gross national product (including oil and gas) was 1.8 per cent. This year's growth rate is expected to come out at 2.3 per cent - one of the best performances in the western world - rising to 2.5 per cent in 1992.

There was a substantial current account balance of Nkr27.9bn that totalled 4 per cent of the country's gross domestic product in 1990. This year the balance is forecast to rise to Nkr36bn and in 1992 fall slightly to Nkr34.5bn.

The country's competitive position has improved. Between 1980 and 1988 there was a 12 per cent deterioration in competitiveness but over the next two years over half was recovered due to productivity improvements mainly caused by a shake-out of labour in manufacturing.

In 1990 prices rose by 4.1 per cent. Forecasts suggest this year's price rises will average under 4 per cent. This is the best inflation performance since 1989.

Average annual wage rises have been modest with a 5 per cent growth last year though this covers a diversity of settlements from over 7 per cent in export-oriented industries and retail to less than 3 per cent in the construction sector. In 1991 wages are set to grow by about 4 per cent.

The government has maintained a fairly tight fiscal policy with no signs that it is prepared to stimulate the economy in a reckless way though there has been some easing in the face of rising unemployment and the budget deficit is expected to climb to around Nkr11bn this year.

However, there is one black cloud hanging over the economy. Registered unemployment has become a sensitive political issue. In 1990 it averaged 5.3 per cent and it is expected to run at around 4.8 per cent this year and 4.5 per cent in 1992.

By western European standards this looks low but it is the worst that Norway has known since the 1930s. Moreover, the total excludes those who are on various training and employment programmes. If they are counted in, around 7 per cent of the workforce are outside the labour market.

It would be far too optimistic to suggest the economy is set for an untrodden

1990s. Much depends on what happens to the level of energy prices. A quarter of the country's export revenue is derived from its North Sea energy sources.

The visible trade deficit of the mainland economy rose from Nkr30bn in 1989 to Nkr40bn last year with a likely increase to around Nkr50bn in 1991.

The Central Bank is worried about the long-term consequences of lower world oil prices. "Reduced oil dependence will increase the need for curbing public expenditure growth," it says. The OECD warns the government not to "use temporarily higher oil revenues to alleviate short-term economic problems".

In its March survey it urges ministers to "stick to the strategy of limiting the economy's oil dependence and expanding mainland industrial sectors."

Wage bargaining: national bargaining at the centre between employer organisations and trade unions may no longer be fashionable in the west but in Norway it has played a crucial role since 1989 in reviving the economy by adjusting domestic costs to those of overseas competitors.

The first real signs of success came in 1988 and 1989 when the voluntary wage

agreement reached between the LO (National Federation of Trade Unions) and the Confederation of Norwegian Business and Industry (NHO) was backed up with the threat of sanctions through incomes restraint legislation passed by parliament.

The back-up powers provided by law were demanded by the trade unions who wanted to ensure that groups outside the scope of the national agreement could not secure higher wage rises. As a result, pay rises averaged only 6.7 per cent in 1988 and 5.8 per cent in 1989.

Last year the LO was not sorry to see the end of two years of what amounted to a statutory incomes policy. But the return to voluntary national collective bargaining did not detract a wage explosion. "Our arguments had an impact on our members," says the LO's chief economist. "They were aware that pressure for higher wages would have an effect on unemployment."

The modest wage settlements of the past four years have helped to improve Norwegian competitiveness. In 1990 unit labour costs shot up by 11 per cent yet in 1989 they fell by 2 per cent while in 1990 they rose by 2 per cent. It is expected they will increase by a modest 1.5 per cent this year.

In 1989 there was also a strong productivity gain of 6.4 per cent in manufacturing mainly due to a labour shake-out. Norway's international competitiveness improved by as much as 5 per cent as a result though the average level of wages is still more than 20 per cent higher than in its main trading competitors.

Previous incomes policies have been destroyed by wage drift. Though this has not happened to any damaging degree since 1987, the current success is rather surprising. Norway's LO with its 36 affiliated unions covers only 60 per cent of the 56 per cent of workers who are unionised.

But the basic agreement has determined the pay outcomes for the entire workforce. "The rising level of unemployment undoubtedly helped to dampen expectations," says the LO's chief economist. The LO leaders remain firm believers in the principle of wage equality, but the demand for more flexible local deals is growing.

Stronger among workers and employers and in 1992 it may prove difficult to negotiate pay centrally for a further two years.

However, it seems unlikely that the LO will spearhead any self-destructive pay push offensive. It remains worried about

unemployment and what it regards as a lack of urgent response towards the number out of work from the government.

Tax reforms: the package announced last month is due to come into force in January 1992. Based on cross-party guidelines, its aim is to improve the functioning of the economy, while making the tax system simpler to understand and administer.

The government proposes to tax ordinary income, including profits and capital, at a new flat rate of 28 per cent. Although corporations pay 50.8 per cent of their profits in tax after deductions, at present there are legal ways of tax avoidance. But as a result of the tightening up of depreciation rules as well as a repeal of tax credit arrangements, the tax base is to be broadened so that in practice the Ministry of Finance argues: "There will be no change in the real tax level for the business sector." It is also planned to cut the tax on investment from 7 to 5 per cent and remove the wealth tax on corporations.

The employers do not like much of this and the shipping companies are outraged. At the moment they pay next to nothing in tax and they will be hit by a reduction in the maximum permitted rate of depreciation on ships to 14 per cent.

The reforms will also reduce the highest marginal tax rate from 57.8 per cent to 43.8 per cent while for middle income groups earning Nkr35,000-195,000 a year the highest tax rate charged will be 35.8 per cent. The Finance Ministry calculates the overall result will be a tax cut of Nkr1,700-3,800 a year for most wage-earners, reducing the overall burden by Nkr2.4bn.

Robert Taylor profiles Socialist Venstre

Young, green, and populist

THE SOCIALIST Left is Norway's third largest political party at the moment. Under its youthful 36-year-old leader, Erik Solheim, it polled 10.1 per cent of the vote in the September 1989 general election and increased its number of seats in Parliament from six to 17. Today it is recording around 14 per cent support in opinion surveys.

Mrs Brundtland and her colleagues in the minority Labour government regard Socialist Venstre (SV) as an irresponsible party that is incapable of taking unpopular decisions and makes promises

it is in no position to deliver. "Our relations with Labour are tense," admits Mr Solheim. "Ministers see us as exploiting discontent among Labour's supporters."

Observers of SV's recent party conference suggest that it has dropped its belief in class politics. Avowedly committed to Marxism, SV has become more green than red in recent years. "The party does not talk about Socialism any more," suggests one seasoned commentator. It campaigns primarily on environmental issues.

"We are using Parliament as

a platform to speak to the people," declares Mr Solheim. Instead of denying the populist charge, he argues that it is what has widened SV's appeal beyond the sectarian fringe.

His party appears to have found a profitable niche in Norwegian politics as a loose coalition of the left that brings together green idealists with others unhappy about the Labour party's lurch towards the middle ground.

SV is very much a protest movement whose roots are the 1980s generation though it likes to parade a vigorous, modern image, untroubled by the cynicism of conventional politicians.

Unlike other parties to the left of Social Democracy in western Europe, it is also untroubled by any identification with Soviet Communism.

Founded in 1961 as the Socialist Popular party, an anti-nuclear nationalist break-away from Labour's pro-Nato cold war identity, it was not until the early 1970s that it began to make an impact, mainly as a result of its role in the campaign against Norway's EC membership application.

In 1975 the present SV emerged through a merger between the Socialist Popular party, elements of the Communist party and independent Socialists as well as another Labour splinter group.

Professor Henry Valen at Oslo's Institute for Social Research believes SV benefited in the 1989 general election from the end of the Cold War. As defence ceased to be a major issue in Norwegian politics, SV has found it easier to find support, he argues.

But as Mr Solheim points out, SV also appeals to elements among the Labour party, especially those who

still believe in the collectivist values of solidarity and equality and the welfare state at a time when the cause of the market economy has won converts across the political spectrum. "People say to me you talk like the Labour party used to do," says Mr Solheim.

SV was able to capture considerable support in the 1989 election campaign from former Labour voters with its criticisms of the government's failure to bring down unemployment and its defence of the universalist principles of the welfare state from the frontal assault launched on them by the populist Progress party.

But in fact, SV's appeal is also aimed at the growing elements in what constitutes Norway's post-industrial society. In 1989 its main electoral support derived from the young and middle-aged salaried workers in the public service sector who made up 35 per cent of their voting strength compared with the 26 per cent estimated to have come from among manual workers.

In the light of its caring, soft image, as many as 57 per cent of SV's voters were women in 1989. It appears to be stronger among those under the age of 50. A mere 16 per cent of its voting strength in 1989 came from Norwegians over 60. The party secures higher than average backing in the Oslo area, the west and the far north.

Mr Solheim's party has benefited from the realignment of Norwegian politics. More voters no longer identify closely with one party. They may share their partisan preferences more frequently.

Without the burdens of office, SV is untroubled by the need to compromise. But if the party maintains its momentum in September's local government elections, it may find itself in coalition with some councils with Labour. This will force SV - which has benefited from the mood of discontent with the traditional system - to muddy its hands in the give-and-take of politics.

THE OPPOSITION

The Kaci effect

THE CONSERVATIVES - the main opposition - hope they are now entering a period of genuine and lasting revival after the election of a new young leader last month. Certainly, the 36-year-old Mrs Kaci Kullmann Five is already bringing a breath of fresh air to the party's stuffy image.

Her arrival at the top has worked wonders for the party's poll position. Back in January, only 14 per cent backed the Conservatives, a record low; now the party is securing around 22 per cent support.

The so-called Kaci effect appears to have transformed Norwegian politics in just a few weeks. Mrs Five hopes the Conservatives can improve their position over the next two years so the party will be able to form a minority government after the September 1993 general election. This may be over-ambitious, but it is hard to see any alternative strategy at the moment that the Conservatives could pursue with much zest.

The party has good reasons to avoid any close co-operation with the small Centre and Christian People's parties after its experience last autumn. The three non-socialist parties formed a coalition government under Conservative leader Jan Skaar in the aftermath of the indecisive September 1989 general election.

In retrospect, many Conservatives believe the party made a tactical mistake by joining up with the other two. By last autumn the tensions between the Conservatives and the Centre party in particular had reached breaking point over the European issue. The anti-EC Centre leaders opposed any proposed changes in Norway's so-called concession laws that safeguarded the country's

companies and property from foreign ownership under the EC-EFTA negotiations on a European Economic Area.

But the Conservatives, who are the only party in Norway almost unanimously in favour of the country's eventual EC membership, would not bow to Centre pressure on such a key question. At the end of October the Centre party withdrew its support from the coalition and brought it down.

This is the second time in less than five years that the Conservatives have been driven from office in Norway as a result of a loss of support in Parliament. On the first occasion Mr Kaci Willoch fell from power after nearly five years as prime minister in April 1986 when his government lost the support of two maverick right-wing MPs from the Progress party who voted against a package of spending cuts and a higher gasoline tax.

Since that debacle the Conservatives have watched with dismay as the Progress party, with its populist mixture of tax-cut promises, attacks on the welfare state and tough law and order policies, began to grow dramatically mainly at their expense. The party lost out in particular among younger male voters who preferred the style of conservatism of the Progress leader Carl I Hagen to the austere, more intellectual Conservative establishment who seemed to have little appeal outside the richer suburbs of Oslo.

Although the Conservatives and Progress have worked together on some local councils since 1987, the two parties find it hard to co-operate. Many Conservatives despise Mr Hagen's radical right party for what they see as its vulgarity. Others feared that Progress

had seized the intellectual initiative, making them look timid and compromised.

Now Mrs Five, the Conservatives believe they can improve their position by having three leaders in less than four years. In the general election nearly two years ago their share of the vote fell to 24.2 per cent with 37 seats in the 165-strong parliament from a 1985 figure of 30.4 per cent and 50 seats. The main gains on the right went to Progress whose electoral support climbed to 13 per cent from 3.7 per cent and from two to 22 seats.

Now under Mrs Five, the Conservatives believe they can restore themselves quickly. The dramatic improvement in its public opinion ratings suggests the party is bouncing back but sceptics question just how deep this new-found popularity really is. "The Kaci effect could last two months or two years," says one commentator. "But the party should not count on it indefinitely."

In a recent TV debate with the prime minister, Mrs Five founded herself being harassed by Mrs Brundtland as if she was an errant schoolgirl for suggesting the government ought to make up its mind sooner rather than later on the need for Norway to apply to join the EC.

In her inauguration speech as leader at the party conference in Trondheim last month, Mrs Five was keen to identify the Conservatives with the European cause. She was a pro-EC enthusiast as a student at Oslo University during the 1972 referendum campaign and remembers the bitterness that divided the country. Now she would like to force the issue to the forefront of the political scene though this will widen even further the gap between the Conservatives and their

former coalition partners, the Centre and Christian People's.

At the same time many Conservatives have no desire to reach any close understanding with Mr Hagen's Progress. Mrs Five gives the strong impression that her party sees itself as an alternative to Labour as a single party minority government. The corroding compromise of the Willoch-Sysse years may be over.

There is no doubting Mrs Five's appeal as an intelligent and vivacious mother of two. But whether she has the necessary steel and stamina to take on the bruising task of confronting the wily Mrs Brundtland and just still remain quotable, as Britain's John Major has discovered, being a nice man may not be enough in politics.

In the end, the fortunes of the Conservatives under Mrs Five may well be decided not by her party's own efforts in broadening its image and changing policies but on what happens to the Labour party over the next two years and in the 1993 general election and whether it can avoid a damaging split over the EC question.

This September's nationwide local government elections will give a strong indication of just how strong the Conservative revival is but unless the party can break out of its suburban middle-class southern stronghold, it may have trouble in projecting a distinctive identity as a genuine national alternative to Labour.

Ideally, a grand coalition of Labour and Conservatives would be best for Norway in debating the European problem but this remains the least likely outcome. "There is no tradition in this country for that," says Mrs Five. "We want to show that the Conservatives are a serious and important political force capable of forming a government on their own." She is the first to recognise just how formidable an objective that is in today's volatile Norwegian political scene.

Robert Taylor

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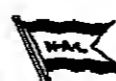
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THE ENVIRONMENT

Building on a green reputation

THE BIGGEST challenge for Norway is to combine its role as one of Europe's leading petroleum producers with that of being in the front line of work to reduce relentless polluting emissions resulting from the combustion of fossil fuels, says Mr Jens Stoltenberg, the Secretary of Environment.

"For us it is important to demonstrate that we take seriously the issue of the greenhouse effect, particularly because we are one of Europe's biggest net petroleum producers," he explains.

It seems almost a paradox that Norway has a reputation as one of the "greenest" countries in the world, despite its increasing North Sea petroleum production.

The tiny country's green international reputation, however, is largely built on the leading role played by Mrs Gro Harlem Brundtland, the prime minister, in the United Nations World Commission on Environment and Development.

The commission produced a report which not only raised world consciousness about the threat to the environment but concluded that it now represents a threat to global and regional economic and social development.

Norway produces just 0.2 per cent of the world's carbon dioxide emissions which are believed to be the main contributor to so-called greenhouse gases blamed for raising world temperatures.

The earth's average temperature is estimated to increase by one degree by 2025, and by three degrees by the end of the next century. This increase is expected to raise the sea level at an average rate of 6 centimetres a decade.

Carbon dioxide from Norway's offshore North Sea platforms account for 15 per cent of the country's total annual emissions. In 1988 CO₂ emissions reached 34.5m tonnes, or roughly 55 per cent of total emissions. They have since remained at about that level.

It is estimated by the UN's IPCC Intergovernmental Panel on Climate Change that 5.15bn tonnes of CO₂ is emitted worldwide on an annual basis (1.06t per person).

Industrialised countries account for 74 per cent of the total, although they comprise just 24 per cent of the world's population. The US emits 24 per cent of the world's CO₂, or roughly 5t per person.

Norway has signed a number of international treaties to reduce emissions and has implemented new domestic taxes and raised existing ones on burning fossil fuels. But its environmental policy seems almost to be on a collision course with its energy policy.

Evidence of this was presented earlier this year when the owners of the Heidrun oil and gas field presented a development plan which called for both oil and gas to be produced. The oil would be sold in

world markets but the gas was to supply a planned methanol plant and a gas-fired power generation plant, both to be sited on the mid-Norway coast.

Norwegian authorities approved the plan for oil production but postponed the one for gas production until further environmental impact and economic feasibility studies could be completed. Proponents of the methanol project argue that though Norway's emissions will be increased by methanol production, the methanol will be used as a component to lead-free gasoline that automobiles in other countries can burn at less danger to the environment.

Opponents of the gas-fired power generation facility argue that Norway's hydro-power, which generates electricity, is cleaner and cheaper and therefore a better alternative to gas-fired power.

Norwegian petrol is already heavily taxed, with the state taking about two-thirds of the price of every litre of petrol.

Earlier this year Norway introduced a tax on gas burnt at North Sea platforms. That is expected to raise Nkr700m in 1991, but Nkr100m of the total income is earmarked for a global climate fund aimed at helping poor countries to clean up the environment. Norway currently produces 1.8m barrels of oil a day but production is expected to increase to 2.4m barrels by 1996 and remain above 2m barrels a day till the end of the decade.

The country also produces an annual average 25m cubic metres of gas and is one of Europe's main gas suppliers.

Norway currently exports most of its petroleum production because its electricity, since the 1970s, has been generated by clean, cheap hydro-power. The country has been touting its gas supplies to Europe - particularly the polluted east European countries - which could use gas as a cleaner way to generate power as a replacement to more polluting coal and oil.

Paradoxically, if Norway replaced hydro-power gener-

ated electricity with gas-fired power generation, its CO₂ emissions would increase significantly.

A ministerial report published in March concluded that Norway's North Sea oil industry will cause a sharp rise in carbon dioxide emissions - by around 60 per cent from 18 per cent - by the year 2000 unless new measures are introduced to help curb outlets.

The report recommended boosting taxes on the burning of fossil fuels. A litre of gasoline currently costs Nkr7.20 but the report suggested that the state add Nkr2 in taxes by the turn of the century.

Norway has pledged to stabilise carbon dioxide emissions at 1989 levels by the turn of the century and reduce sulphur dioxide emissions by 50 per cent by 1993 and a further 30 per cent by 1998. In addition, nitrogen oxide (NOx) emissions are to be stabilised at 1986 levels (244,000t) by 1993.

Under the North Sea Declaration signed in the Hague by countries which border the North Sea, Norway has agreed to reduce spillage of nutrient salts into the North Sea by 50 per cent by 1995.

But, in February at the World Economic Forum in Davos, Mrs Brundtland said that today's international environmental agreements are not capable of achieving optimum results because the costs of reducing emissions vary considerably from country to country.

"The implications of reducing emissions must not lead to a tangible distortion of competition," she declared. Uniform percentage reductions of emissions are not a cost-effective way to achieve environmental goals, nationally or internationally, she believes.

For example, Mrs Brundtland said that although acid rain is a serious problem for Norway, roughly 90 per cent of it is generated by other countries. She suggested that further reductions in Norway's "low" sulphur dioxide emissions would cost 10 times as much as similar reductions in Poland and therefore the environment would be improved more quickly by investing in a clean-up operation in Poland rather than in Norway.

Similarly, Japan is responsible for 14 per cent of the world's gross national product but accounts for just 5 per cent of world CO₂ emissions, whereas China generates just 2 per cent of the world's GNP but generates as much as 9 per cent of its CO₂ emissions.

To achieve maximum environmental benefit for the minimum cost, a new generation of environmental agreements at the global level must be developed, Mrs Brundtland suggested.

To this end, Norway is seeking support for a new concept called "tradeable CO₂ quotas".

The way this quota scheme is meant to work is that a global ceiling for emissions would be established with each country - or region - reducing emissions according to an emission quota within the global ceiling.

Countries - or regions - could choose either to use their quotas or trade them. Those where the costs of reducing emissions are high could buy quotas from other countries where costs to reduce emissions are low.

Emission quotas could be paid for in several ways, Mrs Brundtland suggests, not only in the form of money, but also by deliveries - to other countries - of clean energy, pollution control technology, comprehensive trade agreements, or by a combination designed to promote environment and development. In the US a similar scheme works to curb total emissions of sulphur dioxides.

Tradeable emission quotas would serve Norway well for the country contributes very little to the greenhouse effect, while it produces an abundance of gas which other countries could use to replace polluting coal and oil for power generation.

But there is some anxiety that an international agreement on reducing CO₂ emissions would force world crude oil prices to fall to a level which could reduce annual income to Norway's oil-dependent economy by between \$2.7bn and \$3.5bn. In 1990 income from the petroleum sector represented 13 per cent of Norway's GNP while petroleum accounted for 30.2 per cent of total exports.

Karen Fossli

Karen Fossli looks at controversial tax reforms

'War' on shipping

THIS YEAR Norway boosted its standing in the world shipping league to No 3, behind convenience flags Panama and Liberia, by increasing the combined tonnage under its registers to 42m deadweight tonnes (dwt) from 37.4m dwt a year ago, when the last Norway survey was published.

It has been estimated shipowners must purchase up to 700 ships in the next decade if Norway is to continue expanding its share of the world fleet. This growth will cost more than \$4.5bn until 1995.

In the past five years the Norwegian ocean-going merchant fleet has grown faster than any other in the world, largely because of the establishment in 1987 of the Norwegian International Ship Register (NIS), and a tax regime which favours shipping.

NIS restored the health of Norway's shipping industry, which had suffered a debilitating decline in the 1970s, by offering shipowners some of the world's most flexible and liberal operating conditions.

With a tax regime which created an environment for shipowners to boost investments, they were able also to help fuel the growth of contracts placed with a wide range of ship-based services within the domestic maritime community.

However, the period of rapid expansion may grind to a halt and obstruct opportunities for continued maritime growth through the modernisation of the domestic fleet. In the near future Norway could see a rapid exodus of its shipowners because of a planned overhaul of the 80-year old tax system which they claim will significantly reduce their international competitiveness and reduce the average tax rate, under the existing system, to 20 per cent.

James Capel, the UK stockbroker, says the change implies a tenfold increase in taxes paid by shipowners. In a report after the reform was announced Capel estimated that Bergesen, Norway's biggest shipowner, would have paid a tax bill of Nkr250m in 1990 under the proposed regime, instead of Nkr15m under the existing one.

Last year Bergesen nearly doubled profits to a record Nkr950m from Nkr520m in 1989 mainly because of gains from securities trading.

sary ship maintenance and repair, let alone modernise their fleets.

Norway's shippers currently have a total of 160 ships on order, roughly 15 per cent of the world total, worth Nkr41bn.

Mr Per Morten Vigtel, a director with the Norwegian Shipowners' Association, an influential lobby group, says that the tax reform is viewed by his members as a near-declaration of war on shipping. It would give Norway the strictest tax system on shipping in western Europe, he says.

According to the association, the proposal, which calls for a cut in the depreciation rate for ship investments to 14 from 25 per cent, will make it too expensive for shipowners to embark on fleet renewal programmes.

There may be a rapid exodus of shipowners in the near future

Mr Vigtel points out that most of Norway's west European shipping competitors have a depreciation rate on ship investments of between 25 and 30 per cent. He argues that a possible consequence of the reform will be a decline in investments and gradual "flagging out" of the shipping fleet to more accommodating countries such as Liberia.

The government's reform is intended to streamline the fiscal system and cut the rate of corporate tax from 50.8 per cent to 28 per cent. At the same time, however, it abolishes attractive allowances which essentially reduce the average tax rate, under the existing system, to 20 per cent.

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Although the tax reform will allow large tax-free gains, accumulated in limited shipping partnerships under the existing regime, to be converted into onshore equity investments, this benefit may prove to be of little use to shipowners strapped for extra cash to invest in stocks.

Though so far only a proposal, the tax reform has had a negative psychological impact on investors in shipping equities. The Oslo bourse's shipping index started last year at 820.71 points and sailed to a year's high of 1,023 points by mid-March of this year, only to fall back to 878.31 points at mid-April, a week after the tax proposals were announced. The index fell more than 50 per cent between mid-March 1990 and mid-January of this year. In February the shipping sector was valued at Nkr32bn, or roughly 30 per cent of the value of the Oslo market.

Before the tax reform was announced, for implementation in 1992, analysts had forecast a good, solid overall performance for the industry this year based on a combination of high charter rates, good demand and a strong dollar.

Now shipowners hope that the opposition, with a majority in the Storting, will either throw out the tax proposal or call for amendments to bridge the disparity between Norway and its competitors.

But with the seasonal doldrums of spring and summer, charter rates and share prices are expected to drop, adding to the crunch on raising funds to renew the fleet. In the last two years some Nkr2.9bn has been raised by shipping companies on the Oslo bourse.

If Mrs Nordboe is to see Norway's tax renewed, her government may have to compromise on its stringent tax reform proposal to keep the path of investment to modernisation free from obstruction.

Mr William O'Neill, secretary general of the UN International Maritime Organisation, told delegates of Norway's safety at sea conference that statistics show conclusively that old ships are prone to a higher number of accidents than new ones. Luckily, the average age of Norway's fleet is 11.7 years, one year younger than the average of the world fleet.

FINANCIAL TIMES
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Highlights

		1990	1989
Operating revenue	NOKm.	13.088	9.374
Profit before extraordinary items	NOKm.	1.046	725
Cash flow	NOKm.	1.339	931
Order intake	NOKm.	13.146	12.800
Return on total capital	%	12.3	12.5
Earnings per share	NOK	25.00	17.14
Number of employees		17.500	12.000

KVAERNER

NORWAY 4

Karen Fossli on the possible impact of the 'green wave'

Europe's top oil producer

DURING the next decade Norway will approve no fewer than 60 to 70 small satellite oil-field developments - up to 10 annually - to help maintain crude oil production above 2m barrels a day. The new fields could contribute up to 1m barrels to daily production.

According to Edinburg-based County NatWest Wood-Mac (CNWM), the analyst, this year Norway overtook Britain as Europe's biggest oil producer, with an estimated annual average of 2.4m barrels a day, compared with 2.1m barrels a day for Britain.

CNWM reckons Norway is likely to achieve peak oil/natural gas production of 2.4m barrels a day by 1996. In the fourth quarter of this year production will surge to a new record of 2.1m barrels a day.

But unofficial figures from the Ministry of Petroleum and Energy put this year's pure oil production at about 1.78m barrels a day rising to a peak of 2.16m barrels a day in 1996.

Norway produces oil from about 30 North Sea fields. Production has yet to commence from the mid-Norway Hattenbanken region but there are two oilfields - Draugen and Heidrun - which are currently being developed. Draugen, situated in the southern part of the Hattenbanken region, will add about 95,000 barrels a day when it hits peak production. Draugen will come on stream in 1992.

Heidrun, located in the northern part of the Hattenbanken region, is being developed according to a phased plan with production scheduled from 1995. However, because of CO₂ emission goals, the authorities postponed a decision until some time this year on the development of Heidrun's gas.

The owners of the field have plans to build a land-based methanol plant and a gas-fired power generation facility which would be based on Heidrun's gas. But, environmentalists argue that Norway's CO₂ emissions would rise to an alarming level. Another alternative would be to re-inject the gas back into the reservoir until it can be sold to the market.

The impact of the 'green

wave' sweeping Europe has elevated the consciousness of Norwegian energy authorities about CO₂ emissions from offshore installations. This year a CO₂ tax was implemented on the emissions from offshore platforms, the first CO₂ tax in the North Sea. It is estimated that Norway's offshore platforms and pipelines produce 16 per cent of the country's CO₂ emissions, or about 5.6m tonnes in 1990, but this could increase to 60 per cent by the turn of the century if nothing is done.

The Oil Industry Association is currently undertaking a study which looks at how the power produced for offshore consumption can be made more efficient. It is believed that increased efficiency will lead to a reduction in CO₂ emissions.

The authorities take the environmental issue seriously but at times it seems as if the country's energy policy may be

on a collision course with environmental goals. When submitting field development plans to the authorities for approval, oil companies must, however, demonstrate that the field will be developed with minimum CO₂ emissions.

It is expected that new procedures for monitoring CO₂ emissions will be introduced along with guidelines for equipment used to generate power on platforms.

But Norway fears that an international CO₂ agreement could lead to reduced oil prices, causing oil revenue to fall by Nkr15-20bn annually.

Norway's economy is dependent on oil income - it

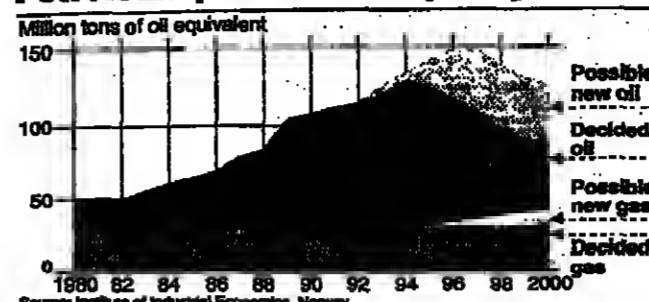
accounts for one quarter of export revenue - and little has been done to reduce that dependence. The current annual rate of petroleum exploitation is 110m tonnes of oil equivalent, yielding Nkr75bn in net revenue to the state budget.

But a 'petroleum fund' was established as a separate account for petroleum income to enable transparency of oil-money spending.

Medium-term guidelines will be introduced on the amount of annual 'drawings' on the fund, but additional transfers will have to be approved by the Storting. Oil revenue in excess of voted central-government budget deficits (before loan transactions) plus half of government lending to state banks will be retained in the fund.

During the first 50 days when Iraq invaded Kuwait the wholesale value of Norwegian petroleum increased by about Nkr4.6bn because of the

Petroleum production capacity



Source: Institute of Industrial Economics, Norway

increase in world crude oil prices. The oil companies benefited from a large portion of the windfall, but the state boosted net income in that short period by about Nkr3.5bn.

The 1991 fiscal budget based petroleum income on an oil price of Nkr120 a barrel to achieve a total of Nkr90.4bn for exports of oil, natural gas and pipeline fees.

Royalty and taxes paid to the state peaked in 1985 at Nkr34.82bn and, with the introduction of a new petroleum tax scheme in 1986, the state reduced its possibilities for maintaining this high level which fell to Nkr17.3bn in 1990. The tax reform paved the way for multinational oil com-

panies to shoulder more of the financial risk burden associated with the petroleum industry.

Official petroleum estimates put the total at about 8.8m tonnes of oil equivalent (toe), of which 0.85m toe had been produced by December 1990. In the North Sea existing reserves are estimated to be 3.6m toe, of which oil and condensate comprise about 40 per cent.

Last year 36 exploration wells were drilled compared to 28 in 1989 but in Norway's 25 year petroleum history some 682 exploration wells have been drilled. At the turn of the 1990/91 year some nine fields were under development with 22 others waiting in the wings for approval.

suppliers such as the Soviet Union and Algeria. Nigeria may also emerge as a major competitor.

Last month it was decided that a third pipeline from the Norwegian North Sea to Europe would be built at a cost of Nkr10.2bn and initial capacity of 12m cubic metres. The so-called 'Europipe' which will be in operation in October 1995.

Norway currently exports gas to Kuden, Germany via the Norderpiper/Statpiper system. Zeepeipe, which will link the Sleipner and Troll fields to Zeebrugge, Belgium, will be completed in 1993. Europipe will be around 635 kilometres long and Zeepeipe 810 kilometres long.

But new gasfield development decisions will soon have to be taken to meet the expected increase in European demand. Currently the existing organisation for selling Norway's gas is Gasforhandlingsutvalg - the Gas Negotiating Committee - led by Statoil, Saga Petroleum and Norsk Hydro.

Under the giant Troll/Sleipner gas sales agreement signed in 1986 with a consortium of European buyers, 30.51m cubic metres of gas is committed under the contract. This could expand to 40.82m cubic metres if the buyers exercise all their purchase options.

But it is likely that the Troll field will underwrite future gas sales and that sales of gas from other fields will be brought under the Troll umbrella.

Statoil, the Norwegian state oil company, reckons that it will spend some Nkr4bn annually on developing new fields. Norwegian companies have traditionally been awarded the lion's share of goods and services contracts - between 50 and 60 per cent - particularly engineering contracts, while foreign companies dominate deliveries of equipment. In 1990 Nkr30bn worth of contracts was awarded for upstream petroleum developments.

Norway's service contractors have benefited immensely from the country's 'technology transfer' policy and have this year made important breakthroughs in supplying technology to other North Sea sectors. Several companies are in the process of expanding and major international acquisitions have been made with several others under study.

The big Aker group is looking at the possibility of acquiring a US company and/or construction yard to cash in on the future prospects for oilfield developments in the Gulf of Mexico where it is estimated that between 10 and 15 floating production units will be needed to exploit new fields in the next decade.

One interesting feature about Norway's oilfield exper-

tise is that technology extrapolated from US experience was upgraded for North Sea petroleum production. That technology is likely to be transferred back to the US where future fields in deep water are to be developed.

Norway advocates a 'reasonable' high level. The country has offered to host a major conference on 'global energy policy interrelations' which may gather the international support it needs to be staged this year.

There is also concern about long-term, responsible utilisation of global natural resources, particularly with regard to non-renewable sources of energy and to this end the government-backed Dutch prime minister Ruud Lubbers' initiative calling for the establishment of a European Energy Council.

Mrs Brandtland, Norway's prime minister, called Mr Lubbers' plan a visionary suggestion of how a common energy destiny can be structured and how enough energy can be secured without waste to 'warm the European house'.

Karen Fossli considers gas prospects

Outlook 'couldn't be better'

THE FUTURE outlook for Norway's gas industry could not be better. Mr Klaus Liesen, chairman of Ruhrgas, the German gas company which is one of Norway's biggest gas customers, believes that Norway may become the leading gas supplier to Europe in the early years of the next century.

Last month Khrupus opened offices in Oslo, symbolic of its desire to co-operate even closer with Norway and of the long-term nature of the two countries' relations.

In an opening speech Mr Liesen pledged to assist Norwegian gas producers and Verbundnetz Gas, the east German gas company, in concluding long-term supply contracts and to find the most efficient and effective way for Norwegian gas to flow eastwards.

Since the green wave swept Europe, interest in Norway's gas seems to know no bounds. Gasunie, another big cus-

tomers, forecasts that Norwegian gas exports to the Continent will double from the current level of 27bn cubic metres annually by the year 2010. This is when Gasunie expects European annual gas consumption to have risen to 540,000m cubic metres from 380,000.

Gasunie reckons that only half of demand will be met by existing gas contracts while the other half represents about 10 times Norway's current annual output.

Norway's gas reserves total some 2.75bn cubic metres and there are only eight countries in the world which have larger proven gas reserves.

Interest in Norway's gas has been fuelled by environmental concerns of generating power by coal and fuel oil. Gas is considered to be a more environmentally friendly source of power generation.

Based on gas contracts signed by the turn of the cen-

tury, Norway will have a market share of between 15 and 25 per cent in its largest European markets. But Statoil, the Norwegian state oil company, reckons that annual gas exports could reach 50bn cubic metres by the year 2000.

Last month a landmark deal between Britain and Norway was signed in which £150m worth of Norwegian gas a year is to be imported by National Power over a period of 15 years.

The deal, the first of its kind between Norway and a large UK consumer, may force the UK government to change its policy blocking Norwegian gas imports and represents a breakthrough for Norway whose only UK gas customer hitherto has been British Gas.

National Power intends to build a series of gas-fired power stations but the new Norwegian imports will be used partly to supply a new 650MW station being planned

for Little Barford, Bedfordshire, or a 1,500MW station planned at Staythorpe, Nottinghamshire.

The electricity industry is the most promising growth area for natural gas developments in combined-cycle gas power plant technology have led to major increases in efficiency.

Statoil believes that stricter emission standards will make coal-based power generation less competitive to gas and CO₂ emissions restrictions are likely to eliminate coal as a competitor to gas in the electricity sector. Policies to mitigate greenhouse gases could have a stronger impact on future gas demand than has yet been realised.

When the giant Troll field comes on stream in 1996, it will become one of the Kingpins of supply of gas to Europe. The mid-Norway Hattenbanken region will further underscore Norway's supply ability and later a gasfield off the coast of northern Norway will also constitute an important source of supply.

But the challenges for Norway will be to expand gas production and transport capacity to meet growing demand. Although Norway's gas is a short distance to market it must still compete with other

suppliers such as the Soviet Union and Algeria. Nigeria may also emerge as a major competitor.

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ICI deals enliven a gloomy market

1991/2	90.02	100.54	93.25
1992/3	92.00	100.00	93.00
1993/4	92.00	100.00	93.00
1994/5	92.00	100.00	93.00
1995/6	92.00	100.00	93.00
1996/7	92.00	100.00	93.00
1997/8	92.00	100.00	93.00
1998/9	92.00	100.00	93.00
1999/0	92.00	100.00	93.00
2000/1	92.00	100.00	93.00
2001/2	92.00	100.00	93.00
2002/3	92.00	100.00	93.00
2003/4	92.00	100.00	93.00
2004/5	92.00	100.00	93.00
2005/6	92.00	100.00	93.00
2006/7	92.00	100.00	93.00
2007/8	92.00	100.00	93.00
2008/9	92.00	100.00	93.00
2009/0	92.00	100.00	93.00
2010/1	92.00	100.00	93.00
2011/2	92.00	100.00	93.00
2012/3	92.00	100.00	93.00
2013/4	92.00	100.00	93.00
2014/5	92.00	100.00	93.00
2015/6	92.00	100.00	93.00
2016/7	92.00	100.00	93.00
2017/8	92.00	100.00	93.00
2018/9	92.00	100.00	93.00
2019/0	92.00	100.00	93.00
2020/1	92.00	100.00	93.00
2021/2	92.00	100.00	93.00
2022/3	92.00	100.00	93.00
2023/4	92.00	100.00	93.00
2024/5	92.00	100.00	93.00
2025/6	92.00	100.00	93.00
2026/7	92.00	100.00	93.00
2027/8	92.00	100.00	93.00
2028/9	92.00	100.00	93.00
2029/0	92.00	100.00	93.00
2030/1	92.00	100.00	93.00
2031/2	92.00	100.00	93.00
2032/3	92.00	100.00	93.00
2033/4	92.00	100.00	93.00
2034/5	92.00	100.00	93.00
2035/6	92.00	100.00	93.00
2036/7	92.00	100.00	93.00
2037/8	92.00	100.00	93.00
2038/9	92.00	100.00	93.00
2039/0	92.00	100.00	93.00
2040/1	92.00	100.00	93.00
2041/2	92.00	100.00	93.00
2042/3	92.00	100.00	93.00
2043/4	92.00	100.00	93.00
2044/5	92.00	100.00	93.00
2045/6	92.00	100.00	93.00
2046/7	92.00	100.00	93.00
2047/8	92.00	100.00	93.00
2048/9	92.00	100.00	93.00
2049/0	92.00	100.00	93.00
2050/1	92.00	100.00	93.00
2051/2	92.00	100.00	93.00
2052/3	92.00	100.00	93.00
2053/4	92.00	100.00	93.00
2054/5	92.00	100.00	93.00
2055/6	92.00	100.00	93.00
2056/7	92.00	100.00	93.00
2057/8	92.00	100.00	93.00
2058/9	92.00	100.00	93.00
2059/0	92.00	100.00	93.00
2060/1	92.00	100.00	93.00
2061/2	92.00	100.00	93.00
2062/3	92.00	100.00	93.00
2063/4	92.00	100.00	93.00
2064/5	92.00	100.00	93.00
2065/6	92.00	100.00	93.00
2066/7	92.00	100.00	93.00
2067/8	92.00	100.00	93.00
2068/9	92.00	100.00	93.00
2069/0	92.00	100.00	93.00
2070/1	92.00	100.00	93.00
2071/2	92.00	100.00	93.00
2072/3	92.00	100.00	93.00
2073/4	92.00	100.00	93.00
2074/5	92.00	100.00	93.00
2075/6	92.00	100.00	93.00
2076/			

STOCKS					
FTSE	Day's change	Stock	Price	Volume	Day's change
71	-1	Anglo Irish	250	200	-1
202	+1	Bank of Ireland	250	100	-1
203	-1	Bank of Scotland	1,200	100	-1
204	-1	Bank of Wales	1,200	100	-1
205	-1	Bank of Wales	1,200	100	-1
206	-1	Bank of Wales	1,200	100	-1
207	-1	Bank of Wales	1,200	100	-1
208	-1	Bank of Wales	1,200	100	-1
209	-1	Bank of Wales	1,200	100	-1
210	-1	Bank of Wales	1,200	100	-1
211	-1	Bank of Wales	1,200	100	-1
212	-1	Bank of Wales	1,200	100	-1
213	-1	Bank of Wales	1,200	100	-1
214	-1	Bank of Wales	1,200	100	-1
215	-1	Bank of Wales	1,200	100	-1
216	-1	Bank of Wales	1,200	100	-1
217	-1	Bank of Wales	1,200	100	-1
218	-1	Bank of Wales	1,200	100	-1
219	-1	Bank of Wales	1,200	100	-1
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237	-1	Bank of Wales	1,200	100	-1
238	-1	Bank of Wales	1,200	100	-1
239	-1	Bank of Wales	1,200	100	-1
240	-1	Bank of Wales	1,200	100	-1
241	-1	Bank of Wales	1,200	100	-1
242	-1	Bank of Wales	1,200	100	-1
243	-1	Bank of Wales	1,200	100	-1
244	-1	Bank of Wales	1,200	100	-1
245	-1	Bank of Wales	1,200	100	-1
246	-1	Bank of Wales	1,200	100	-1
247	-1	Bank of Wales	1,200	100	-1
248	-1	Bank of Wales	1,200	100	-1
249	-1	Bank of Wales	1,200	100	-1
250	-1	Bank of Wales	1,200	100	-1
251	-1	Bank of Wales	1,200	100	-1
252	-1	Bank of Wales	1,200	100	-1
253	-1	Bank of Wales	1,200	100	-1
254	-1	Bank of Wales	1,200	100	-1
255	-1	Bank of Wales	1,200	100	-1
256	-1	Bank of Wales	1,200	100	-1
257	-1	Bank of Wales	1,200	100	-1
258	-1	Bank of Wales	1,200	100	-1
259	-1	Bank of Wales	1,200	100	-1
260	-1	Bank of Wales	1,200	100	-1
261	-1	Bank of Wales	1,200	100	-1
262	-1	Bank of Wales	1,200	100	-1
263	-1	Bank of Wales	1,200	100	-1
264	-1	Bank of Wales	1,200	100	-1
265	-1	Bank of Wales	1,200	100	-1
266	-1	Bank of Wales	1,200	100	-1
267	-1	Bank of Wales	1,200	100	-1
268	-1	Bank of Wales	1,200	100	-1

	Rank	Score	Wins
1. Ricki Ayres, Jr.	1	350	17.00
2. Bob Sca, Am.	2	340	16.00
3. Bruce Jay	3	330	16.00
4. Jay	4	320	15.57
5. Bob Sca, Am.	5	310	15.00
6. Bob Sca, Am.	6	300	14.57
7. Bob Sca, Am.	7	290	14.00
8. Bob Sca, Am.	8	280	13.57
9. Bob Sca, Am.	9	270	13.00
10. Bob Sca, Am.	10	260	12.57
11. Bob Sca, Am.	11	250	12.00
12. Bob Sca, Am.	12	240	11.57
13. Bob Sca, Am.	13	230	11.00
14. Bob Sca, Am.	14	220	10.57
15. Bob Sca, Am.	15	210	10.00
16. Bob Sca, Am.	16	200	9.57
17. Bob Sca, Am.	17	190	9.00
18. Bob Sca, Am.	18	180	8.57
19. Bob Sca, Am.	19	170	8.00
20. Bob Sca, Am.	20	160	7.57
21. Bob Sca, Am.	21	150	7.00
22. Bob Sca, Am.	22	140	6.57
23. Bob Sca, Am.	23	130	6.00
24. Bob Sca, Am.	24	120	5.57
25. Bob Sca, Am.	25	110	5.00
26. Bob Sca, Am.	26	100	4.57
27. Bob Sca, Am.	27	90	4.00
28. Bob Sca, Am.	28	80	3.57
29. Bob Sca, Am.	29	70	3.00
30. Bob Sca, Am.	30	60	2.57
31. Bob Sca, Am.	31	50	2.00
32. Bob Sca, Am.	32	40	1.57
33. Bob Sca, Am.	33	30	1.00
34. Bob Sca, Am.	34	20	.57
35. Bob Sca, Am.	35	10	.00

Continued on next page

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Data sources: *Chief Executives in Europe, 1990*



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AMERICANS

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
100	100	100	Alcoa Inc.	100	100	100	100	Alcoa Inc.	100
101	101	101	Amgen Inc.	101	101	101	101	Amgen Inc.	101
102	102	102	Boeing Co.	102	102	102	102	Boeing Co.	102
103	103	103	Chrysler Corp.	103	103	103	103	Chrysler Corp.	103
104	104	104	Exxon Corp.	104	104	104	104	Exxon Corp.	104
105	105	105	General Electric	105	105	105	105	General Electric	105
106	106	106	IBM Corp.	106	106	106	106	IBM Corp.	106
107	107	107	Johnson & Johnson	107	107	107	107	Johnson & Johnson	107
108	108	108	McDonald's Corp.	108	108	108	108	McDonald's Corp.	108
109	109	109	Merck & Co. Inc.	109	109	109	109	Merck & Co. Inc.	109
110	110	110	Microsoft Corp.	110	110	110	110	Microsoft Corp.	110
111	111	111	Procter & Gamble	111	111	111	111	Procter & Gamble	111
112	112	112	Rockwell International	112	112	112	112	Rockwell International	112
113	113	113	Union Carbide Corp.	113	113	113	113	Union Carbide Corp.	113
114	114	114	Wendell Phillips	114	114	114	114	Wendell Phillips	114
115	115	115	Wendell Phillips	115	115	115	115	Wendell Phillips	115

CANADIANS

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
116	116	116	Alcan Inc.	116	116	116	116	Alcan Inc.	116
117	117	117	Bell Canada	117	117	117	117	Bell Canada	117
118	118	118	Imperial Oil Ltd.	118	118	118	118	Imperial Oil Ltd.	118
119	119	119	Manitowac Inc.	119	119	119	119	Manitowac Inc.	119
120	120	120	Noranda Inc.	120	120	120	120	Noranda Inc.	120
121	121	121	Papiermillier Can.	121	121	121	121	Papiermillier Can.	121
122	122	122	Shawmut Corp.	122	122	122	122	Shawmut Corp.	122
123	123	123	St. Lawrence Corp.	123	123	123	123	St. Lawrence Corp.	123
124	124	124	TransCanada Corp.	124	124	124	124	TransCanada Corp.	124
125	125	125	Westbank Corp.	125	125	125	125	Westbank Corp.	125

BANKS, HP & LEASING

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
126	126	126	Bank of America	126	126	126	126	Bank of America	126
127	127	127	Bank of Montreal	127	127	127	127	Bank of Montreal	127
128	128	128	Bank of New York	128	128	128	128	Bank of New York	128
129	129	129	Bank of Toronto	129	129	129	129	Bank of Toronto	129
130	130	130	Bank of the West	130	130	130	130	Bank of the West	130
131	131	131	Bank of the South	131	131	131	131	Bank of the South	131
132	132	132	Bank of the North	132	132	132	132	Bank of the North	132
133	133	133	Bank of the East	133	133	133	133	Bank of the East	133
134	134	134	Bank of the West	134	134	134	134	Bank of the West	134
135	135	135	Bank of the South	135	135	135	135	Bank of the South	135

BEERS, WINES & SPIRITS

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
136	136	136	Beck's Beer	136	136	136	136	Beck's Beer	136
137	137	137	Carlsberg Beer	137	137	137	137	Carlsberg Beer	137
138	138	138	Heineken Beer	138	138	138	138	Heineken Beer	138
139	139	139	Kaiser Brewery	139	139	139	139	Kaiser Brewery	139
140	140	140	Miller Brewing	140	140	140	140	Miller Brewing	140
141	141	141	Pabst Brewing	141	141	141	141	Pabst Brewing	141
142	142	142	Samuel Adams	142	142	142	142	Samuel Adams	142
143	143	143	Stout & Sons	143	143	143	143	Stout & Sons	143
144	144	144	Wine & Spirits	144	144	144	144	Wine & Spirits	144
145	145	145	Wine & Spirits	145	145	145	145	Wine & Spirits	145

BUILDING, TIMBER, ROADS

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
146	146	146	Bechtel Corp.	146	146	146	146	Bechtel Corp.	146
147	147	147	Fluor Corp.	147	147	147	147	Fluor Corp.	147
148	148	148	Heidelberg	148	148	148	148	Heidelberg	148
149	149	149	Hyundai Corp.	149	149	149	149	Hyundai Corp.	149
150	150	150	Kimberly-Clark	150	150	150	150	Kimberly-Clark	150
151	151	151	Lockwood Greene	151	151	151	151	Lockwood Greene	151
152	152	152	Parsons Corp.	152	152	152	152	Parsons Corp.	152
153	153	153	Shawmut Corp.	153	153	153	153	Shawmut Corp.	153
154	154	154	St. Lawrence Corp.	154	154	154	154	St. Lawrence Corp.	154
155	155	155	TransCanada Corp.	155	155	155	155	TransCanada Corp.	155

BUILDING, TIMBER, ROADS - Contd

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
156	156	156	Wendell Phillips	156	156	156	156	Wendell Phillips	156
157	157	157	Wendell Phillips	157	157	157	157	Wendell Phillips	157
158	158	158	Wendell Phillips	158	158	158	158	Wendell Phillips	158
159	159	159	Wendell Phillips	159	159	159	159	Wendell Phillips	159
160	160	160	Wendell Phillips	160	160	160	160	Wendell Phillips	160
161	161	161	Wendell Phillips	161	161	161	161	Wendell Phillips	161
162	162	162	Wendell Phillips	162	162	162	162	Wendell Phillips	162
163	163	163	Wendell Phillips	163	163	163	163	Wendell Phillips	163
164	164	164	Wendell Phillips	164	164	164	164	Wendell Phillips	164
165	165	165	Wendell Phillips	165	165	165	165	Wendell Phillips	165

CHEMICALS, PLASTICS

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
166	166	166	Alcan Inc.	166	166	166	166	Alcan Inc.	166
167	167	167	Amgen Inc.	167	167	167	167	Amgen Inc.	167
168	168	168	Boeing Co.	168	168	168	168	Boeing Co.	168
169	169	169	Chrysler Corp.	169	169	169	169	Chrysler Corp.	169
170	170	170	Exxon Corp.	170	170	170	170	Exxon Corp.	170
171	171	171	General Electric	171	171	171	171	General Electric	171
172	172	172	IBM Corp.	172	172	172	172	IBM Corp.	172
173	173	173	Johnson & Johnson	173	173	173	173	Johnson & Johnson	173
174	174	174	McDonald's Corp.	174	174	174	174	McDonald's Corp.	174
175	175	175	Merck & Co. Inc.	175	175	175	175	Merck & Co. Inc.	175

DRAPERY AND STORES

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
176	176	176	Alcan Inc.	176	176	176	176	Alcan Inc.	176
177	177	177	Amgen Inc.	177	177	177	177	Amgen Inc.	177
178	178	178	Boeing Co.	178	178	178	178	Boeing Co.	178
179	179	179	Chrysler Corp.	179	179	179	179	Chrysler Corp.	179
180	180	180	Exxon Corp.	180	180	180	180	Exxon Corp.	180
181	181	181	General Electric	181	181	181	181	General Electric	181
182	182	182	IBM Corp.	182	182	182	182	IBM Corp.	182
183	183	183	Johnson & Johnson	183	183	183	183	Johnson & Johnson	183
184	184	184	McDonald's Corp.	184	184	184	184	McDonald's Corp.	184
185	185	185	Merck & Co. Inc.	185	185	185	185	Merck & Co. Inc.	185

DRAPERY AND STORES - Contd

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
186	186	186	Wendell Phillips	186	186	186	186	Wendell Phillips	186
187	187	187	Wendell Phillips	187	187	187	187	Wendell Phillips	187
188	188	188	Wendell Phillips	188	188	188	188	Wendell Phillips	188
189	189	189	Wendell Phillips	189	189	189	189	Wendell Phillips	189
190	190	190	Wendell Phillips	190	190	190	190	Wendell Phillips	190
191	191	191	Wendell Phillips	191	191	191	191	Wendell Phillips	191
192	192	192	Wendell Phillips	192	192	192	192	Wendell Phillips	192
193	193	193	Wendell Phillips	193	193	193	193	Wendell Phillips	193
194	194	194	Wendell Phillips	194	194	194	194	Wendell Phillips	194
195	195	195	Wendell Phillips	195	195	195	195	Wendell Phillips	195

ELECTRICALS

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
196	196	196	Alcan Inc.	196	196	196	196	Alcan Inc.	196
197	197	197	Amgen Inc.	197	197	197	197	Amgen Inc.	197
198	198	198	Boeing Co.	198	198	198	198	Boeing Co.	198
199	199	199	Chrysler Corp.	199	199	199	199	Chrysler Corp.	199
200	200	200	Exxon Corp.	200	200	200	200	Exxon Corp.	200
201	201	201	General Electric	201	201	201	201	General Electric	201
202	202	202	IBM Corp.	202	202	202	202	IBM Corp.	202
203	203	203	Johnson & Johnson	203	203	203	203	Johnson & Johnson	203
204	204	204	McDonald's Corp.	204	204	204	204	McDonald's Corp.	204
205	205	205	Merck & Co. Inc.	205	205	205	205	Merck & Co. Inc.	205

ELECTRICITY

1991	Low	High	Stock	Price	1990	Low	High	Stock	Price
206	206	206	Alcan Inc.	206	206	206	206	Alcan Inc.	206
207	207	207	Amgen Inc.	207	207	207	207	Amgen Inc.	207
208	208	208	Boeing Co.	208	208	208	208	Boeing Co.	208
209	209	209	Chrysler Corp.	209	209	209	209	Chrysler Corp.	209
210	210	210	Exxon Corp.	210	210	210	210	Exxon Corp.	210
211	211	211	General Electric	211	211	211	211	General Electric	211
212	212	212	IBM Corp.	212	212	212	212	IBM Corp.	212
213	213	213	Johnson & Johnson	213	213	213	213	Johnson & Johnson	213
214	214	214	McDonald's Corp.	214	214	214	214	McDonald's Corp.	214
215	215	215	Merck & Co. Inc.	215	215	215	215	Merck & Co. Inc.	215

HOTELS AND CATERERS

216	216	216	Alcan Inc.	216	216	216	216	Alcan Inc.	216
217	217	217	Amgen Inc.	217	217	217	217	Amgen Inc.	217
218	218	218	Boeing Co.	218	218	218	218	Boeing Co.	218
21									
219	219	219	Boeing Co.	219	219	219	219	Boeing Co.	219
220	220	220	Boeing Co.	220	220	220	220	Boeing Co.	220
221	221	221	Boeing Co.	221	221	221	221	Boeing Co.	221
222	222	222	Boeing Co.	222	222	222	222	Boeing Co.	222
223	223	223	Boeing Co.	223	223	223	223	Boeing Co.	223
224	224	224	Boeing Co.	224	224	224	224	Boeing Co.	224
225	225	225	Boeing Co.	225	225	225	225	Boeing Co.	225
226	226	226	Boeing Co.	226	226	226	226	Boeing Co.	226
227	227	227	Boeing Co.	227	227	227	227	Boeing Co.	227
228	228	228	Boeing Co.	228	228	228	228	Boeing Co.	228
229	229	229	Boeing Co.	229	229	229	229	Boeing Co.	229
230	230	230	Boeing Co.	230	230	230	230	Boeing Co.	230
231	231	231	Boeing Co.	231	231	231	231	Boeing Co.	231
232	232	232	Boeing Co.	232	232	232	232	Boeing Co.	232
233	233	233	Boeing Co.	233	233	233	233	Boeing Co.	233
234	234	234	Boeing Co.	234	234	234	234	Boeing Co.	234
235	235	235	Boeing Co.	235	235	235	235	Boeing Co.	235
236	236	236	Boeing Co.	236	236	236	236	Boeing Co.	236
237	237	237	Boeing Co.	237	237	237	237	Boeing Co.	237
238	238	238	Boeing Co.	238	238	238	238	Boeing Co.	238
239	239	239	Boeing Co.	239	239	239	239	Boeing Co.	239
240	240	240	Boeing Co.	240	240	240	240	Boeing Co.	240
241	241	241	Boeing Co.	241	241	241	241	Boeing Co.	241
242	242	242	Boeing Co.	242	242	242	242	Boeing Co.	242
243	243	243	Boeing Co.	243	243	243	243	Boeing Co.	243
244	244	244	Boeing Co.	244	244	244	244	Boeing Co.	244
245	245	245	Boeing Co.	245	245	245	245	Boeing Co.	245
246	246	246	Boeing Co.	246	246	246	246	Boeing Co.	246
247	247	247	Boeing Co.	247	247	247	247	Boeing Co.	247
248	248	248	Boeing Co.	248	248	248	248	Boeing Co.	248
249	249	249	Boeing Co.	249	249	249	249	Boeing Co.	249
250	250	250	Boeing Co.	250	250	250	250	Boeing Co.	250
251	251	251	Boeing Co.	251	251	251	251	Boeing Co.	251
252	252	252	Boeing Co.	252	252	252	252	Boeing Co.	252
253	253	253	Boeing Co.	253	253	253	253	Boeing Co.	253
254	254	254	Boeing Co.	254	254	254	254	Boeing Co.	254
255	255	255	Boeing Co.	255	255	255	255	Boeing Co.	255
256	256	256	Boeing Co.	256	256	256	256	Boeing Co.	256
257	257	257	Boeing Co.	257	257	257	257	Boeing Co.	257
258	258	258	Boeing Co.	258	258	258	258	Boeing Co.	258
259	259	259	Boeing Co.	259	259	259	259	Boeing Co.	259
260	260	260	Boeing Co.	260	260	260	260	Boeing Co.	260
261	261	261	Boeing Co.	261	261	261	261	Boeing Co.	261
262	262	262	Boeing Co.	262	262	262	262	Boeing Co.	262
263	263	263	Boeing Co.	263	263	263	263	Boeing Co.	263
264	264	264	Boeing Co.	264	264	264	264	Boeing Co.	264
265	265	265	Boeing Co.	265	265	265	265	Boeing Co.	265
266	266	266	Boeing Co.	266	266	266	266	Boeing Co.	266
267	267	267	Boeing Co.	267	267	267	267	Boeing Co.	267
268	268	268	Boeing Co.	268	268	268	268	Boeing Co.	268
269	269	269	Boeing Co.	269	269	269	269	Boeing Co.	269
270	270	270	Boeing Co.	270	270	270	270	Boeing Co.	270
271	271	271	Boeing Co.	271	271	271	271	Boeing Co.	271
272	272	272	Boeing Co.	272	272	272	272	Boeing Co.	272
273	273	273	Boeing Co.	273	273	273	273	Boeing Co.	273
274	274	274	Boeing Co.	274	274	274	274	Boeing Co.	274
275	275	275	Boeing Co.	275	275	275	275	Boeing Co.	275
276	276	276	Boeing Co.	276	276	276	276	Boeing Co.	276
277	277	277	Boeing Co.	277	277	277	277	Boeing Co.	277
278	278	278	Boeing Co.	278	278	278	278	Boeing Co.	278
279	279	279	Boeing Co.	279	279	279	279	Boeing Co.	279
280	280	280	Boeing Co.	280	280	280	280	Boeing Co.	280
281	281	281	Boeing Co.	281	281	281	281	Boeing Co.	281
282	282	282	Boeing Co.	282	282	282	282	Boeing Co.	282
283	283	283	Boeing Co.	283	283	283	283	Boeing Co.	283
284	284	284	Boeing Co.	284	284	284	284	Boeing Co.	284
285	285	285	Boeing Co.	285	285	285	285	Boeing Co.	285
286	286	286	Boeing Co.	286	286	286	286	Boeing Co.	286
287	287	287	Boeing Co.	287	287	287	287	Boeing Co.	287
288	288	288	Boeing Co.	288	288	288	288	Boeing Co.	288
289	289	289	Boeing Co.	289	289	289	289	Boeing Co.	289
290	290	290	Boeing Co.	290	290	290	290	Boeing Co.	290
291	291	291	Boeing Co.	291	291	291	291	Boeing Co.	291
292	292	292	Boeing Co.	292	292	292	292	Boeing Co.	292
293	293	293	Boeing Co.	293	293	293	293	Boeing Co.	293
294	294	294	Boeing Co.	294	294	294	294	Boeing Co.	294
295	295	295	Boeing Co.	295	295	295	295	Boeing Co.	295
296	296	296	Boeing Co.	296	296	296	296	Boeing Co.	296
297	297	297	Boeing Co.	297	297	297	297	Boeing Co.	297
298	298	298	Boeing Co.	298	298	298	298	Boeing Co.	298
299	299	299	Boeing Co.	299	299	299	299	Boeing Co.	299
300	300	300	Boeing Co.	300	300	300	300	Boeing Co.	300

ELECTRICITY									
200	200	200	Alcan Inc.	200	200	200	200	Alcan Inc.	200
201	201	201	Alcan Inc.	201	201	201	201	Alcan Inc.	201
202	202	202	Alcan Inc.	202	202	202	202	Alcan Inc.	202
203	203	203	Alcan Inc.	203	203	203	203	Alcan Inc.	203
204	204	204	Alcan Inc.	204	204	204	204	Alcan Inc.	204
205	205	205	Alcan Inc.	205	205	205	205	Alcan Inc.	205
206	206	206	Alcan Inc.	206	206	206	206	Alcan Inc.	206
207	207	207	Alcan Inc.	207	207	207	207	Alcan Inc.	207
208	208	208	Alcan Inc.	208	208	208	208	Alcan Inc.	208
209	209	209	Alcan Inc.	209	209	209	209	Alcan Inc.	209
210	210	210	Alcan Inc.	210	210	210	210	Alcan Inc.	210
211	211	211	Alcan Inc.	211	211	211	211	Alcan Inc.	211
212	212	212	Alcan Inc.	212	212	212	212	Alcan Inc.	212
213	213	213	Alcan Inc.	213	213	213	213	Alcan Inc.	213
214	214	214	Alcan Inc.	214	214	214	214	Alcan Inc.	214
215	215	215	Alcan Inc.	215	215	215	215	Alcan Inc.	215
216	216	216	Alcan Inc.	216	216	216	216	Alcan Inc.	216
217	217	217	Alcan Inc.	217	217	217	217	Alcan Inc.	217
218	218	218	Alcan Inc.	218	218	218	218	Alcan Inc.	218
219	219	219	Alcan Inc.	219	219	219	219	Alcan Inc.	219
220	220	220	Alcan Inc.	220	220	220	220	Alcan Inc.	220
221	221	221	Alcan Inc.	221	221	221	221	Alcan Inc.	221
222	222	222	Alcan Inc.	222	222	222	222	Alcan Inc.	222
223	223	223	Alcan Inc.	223	223	223	223	Alcan Inc.	223
224	224	224	Alcan Inc.	224	224	224	224	Alcan Inc.	224
225	225	225	Alcan Inc.	225	225	225	225	Alcan Inc.	225
226	226	226	Alcan Inc.	226	226	226	226	Alcan Inc.	226
227	227	227	Alcan Inc.	227	227	227	227	Alcan Inc.	227
228	228	228	Alcan Inc.	228	228	228	228	Alcan Inc.	228
229	229	229	Alcan Inc.	229	229	229	229	Alcan Inc.	229
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weaker

THE DOLLAR ended on a weak note in Europe yesterday, despite stronger than expected US retail sales. These fell 0.1 per cent in April, against forecasts of a 0.4 per cent drop, but the main point of note was a revised increase of 0.4 per cent in March sales from a fall of 0.8 per cent.

The revised March figure confirmed an upturn in consumer demand after the Gulf war, and although this gave the dollar a temporary boost it fell back as US Treasury bonds and equity prices fell on Wall Street.

A rise of 0.2 per cent in April US consumer prices was in line with forecasts, leaving the year-on-year inflation rate unchanged at 4.9 per cent, and having little impact on the dollar.

At the London close the dollar had fallen to DM1.7015 from DM1.7140, to Y138.20 from Y139.40, to Sfr1.4320 from Sfr1.4430, and to Pfr5.7625 from Pfr5.8050. On Bank of England figures the dollar's index declined to 65.8 from 66.2.

Apart from US economic data the main factor influencing the foreign exchanges was speculation that Mr Karl Otto Pöhl will announce his resignation as president of the German Bundesbank after tomorrow's council meeting.

£ IN NEW YORK

	May 14	Latest	Previous Close
£100	1.7140-1.7140	1.7015-1.7015	1.7140
1 month	0.91-0.92	0.91-0.91	0.91
3 months	1.32-1.32	1.32-1.32	1.32
12 months	1.70-1.70	1.68-1.68	1.70

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

	May 14	Latest	Previous Close
£100	109.1	109.1	109.1
1 month	109.1	109.1	109.1
3 months	109.1	109.1	109.1
12 months	109.1	109.1	109.1

Year-to-date change: +27.9%

CURRENCY MOVEMENTS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

CURRENCY RATES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

OTHER CURRENCIES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

MONEY MARKETS

A firmer tone

INTEREST RATES edged higher in London yesterday, as the market reacted nervously to conflicting inflationary and political pressures.

Fears that Friday's figures will show underlying inflation is not falling as sharply as the headline year-on-year retail price index have set back hopes of lower bank base rates.

The Bank of England has warned against lower rates, though its operations on the money market, but a recent opinion poll points towards a

credit shortage of £700m on the cash market, but revised this to £750m at noon. Total assistance of £585m was provided.

By lunch the authorities bought £207m bills outright, by way of £13m bank bills in hand at 11% per cent; £53m Treasury bills in hand at 11% per cent; and £141m bank bills at 11% per cent.

In the afternoon another £64m bank bills were purchased in hand at 11% per cent. Late assistance of around £135m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £623m, with exchequer transactions absorbing £195m. These outweighed a fall in the note circulation adding £70m to balances above target of £30m.

In Frankfurt, all money was steady at 8.85 per cent, as banks waited for the result of the Bundesbank's two-tranche securities repurchase agreement tender.

The central bank offered funds for 35 days at an unchanged fixed rate of 8.80 per cent and 63-day money at variable bid rates, to offset expiring facilities totalling DM25.5bn.

In Amsterdam the Dutch Central Bank left its special advances rate at 8.70 per cent, when offering six-day advances.

A Bundesbank spokesman had no comment to make on the rumour, but speculation remained strong following suggestions in two German newspapers that Mr Pöhl is about to resign for personal reasons.

Nevertheless the D-Mark held reasonably firm, around the middle of the European exchange rate mechanism. It rose to Pfr3.3874 from Pfr3.3861 at the Paris fixing and was steady at L741.94 at the Milan fixing.

The D-Mark lost a little ground to the Japanese yen, falling to Y81.35 from Y81.30, but remained above the Y81.00 level on continued speculation that the Bank of Japan will cut its discount rate in the near future.

Sterling stayed the third strongest member of the ERM, but behind the top placed Spanish peseta and the Italian lira. The lira showed little reaction to a cut in the Bank of Italy's dis-

count rate last weekend.

Despite its relatively steady performance in the ERM the pound was weaker against major currencies apart from the dollar. It rose 65 points to \$1.7885, but fell to DM2.9575 from DM2.9678; to Sfr1.4320 from Sfr1.4430; and to Y240.25 from Y241.50. Sterling's index closed unchanged at 91.8.

Trading was nervous, ahead of tomorrow's UK by-election in Monmouth. This is regarded as an important test of government popularity after a bad result at recent local elections. If the ruling Conservative party loses it may rule out a general election in June, but will reduce political risk as far as sterling is concerned.

Stronger than expected UK producer output prices in April dampened hopes of lower interest rates and provided support for the pound.

EMS EUROPEAN CURRENCY UNIT RATES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

POUND SPOT - FORWARD AGAINST THE POUND

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

EURO-CURRENCY INTEREST RATES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

EXCHANGE CROSS RATES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

FT LONDON INTERBANK FIXING

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

MONEY RATES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LONDON MONEY RATES

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

FINANCIAL FUTURES AND OPTIONS

LIFE LONG GILT FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE TREASURY BOND FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

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	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

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	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
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	May 14	Latest	Previous Close
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Swiss franc	109.1	109.1	109.1
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	May 14	Latest	Previous Close
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Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
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Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
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Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
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Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

FINANCIAL FUTURES AND OPTIONS

LIFE LONG GILT FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE TREASURY BOND FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
US dollar	109.1	109.1	109.1
Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
West German mark	109.1	109.1	109.1

LIFE EUROSTAMP FUTURES OPTIONS

	May 14	Latest	Previous Close
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Japanese yen	109.1	109.1	109.1
Swiss franc	109.1	109.1	109.1
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LIFE EUROSTAMP FUTURES OPTIONS

	May 1
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کتابخانه ملی ایران

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:15 pm prices May 14

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	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AMERICA

Falling bond prices again pull Dow lower

Wall Street

A SHARP fall in bond prices and computer sell programs left share prices notably weaker yesterday morning in the wake of some mixed economic news, writes Patrick Harverson in New York.

By 1:30 pm the Dow Jones Industrial Average was down 31.75 to 2,892.87, near its low for the session. The other key indices were also weaker, with the more broadly based Standard & Poor's 500 down 4.62 at 372.14 at 1 pm, and the Nasdaq composite of over-the-counter stocks down 4.95 at 488.95. Turnover on the New York SE was 100m shares by 1 pm.

Yesterday was a repeat of

last Friday, when a sharp fall in bond prices spurred a similarly sharp drop in equity values. The two markets have remained unsettled since then, the bond market by the excess supply still to be distributed in the wake of the \$37bn Treasury refunding auction, the stock market by continued concern about the absence of a meaningful economic recovery.

The economic news released yesterday provided little in the way of fresh evidence of the state of the economy, although the large upward revision in March retail sales to show an increase of 0.8 per cent on the month came as a surprise.

Motor stocks were in the limelight. Ford eased 5 1/2 to 52 1/2 after reporting an 11 per

cent decline in the sales of its US-made cars during early May.

General Motors, which has revealed plans to sell 16m convertible shares to bolster cash reserves, also eased, dropping 3 1/2 to 38 1/2. The GM stock sale — its first in over four years — is unusual in that the company will save money on the convertibles if the price of its common stock rises, but lose out if the common stock price falls.

Chrysler, the last of the big three auto makers, was 3 1/2 lower at 52 1/2.

Exxon fell 1 1/2 to 58 1/2 on the news that Exxon dealers have launched a class action lawsuit against the company alleging that it broke a pricing agreement, and that its han-

dling of the 1989 Exxon Valdez oil spill disaster in Alaska had harmed the dealers' businesses.

The most actively traded stock of the day was a newcomer to the market, Telefonos Mexico, the giant Mexican telephone company, made its debut. With strong interest in the stock, the price held steady at \$27 1/2 on turnover of 14m shares.

American Express, which fell sharply on Monday, rallied with a rise of 3/4 to 32 1/2 on turnover of 1.9m shares.

Canada

TORONTO stocks fell across the board in midday trade after a sharp upward revision in US

March retail sales sent US Treasuries about one point lower. Twelve of the 14 indices fell, with golds and merchandising the only gainers. The composite index lost 20.7 to 3,472.0. Declines led advances by 275 to 152 on volumes of 13.2m shares.

Alcan led the mines and metals index lower as the stock fell 1 1/2 to 32 1/2 on heavy volume of 998,000 shares.

Federal Industries class A shares slid 1 1/2 to 36 1/2 on volume of 62,000 shares. Analysts came away from Monday's meeting with the company thinking that Federal had many problems to solve, and fearing that it would not be able to sell some of its assets at its asking price.

EUROPE

Resignation talk weighs on France and Germany

RESIGNATION rumours depressed France and Germany yesterday, while there were fears that Generali's rights issue, announced after hours, could weaken Italy today, writes Our Markets Staff.

PARIS lost 1.6 per cent in moderate trading on rumours that Prime Minister Michel Rocard was about to resign.

The CAC 40 index fell 28.88 to 1,806.57, but ended above the day's low of 1,799.00. Most blue chips, especially the financials, were weak.

Sanofi dropped FF39 or 4.5 per cent to FF833 and Rhône-Poulenc's certificates lost FF16.50 or 4.4 per cent to FF198 on fears of changes to tax rules for French pharmaceutical companies. A newspaper report suggested that a 2.5 per cent tax on turnover could be imposed to reduce state health spending.

In the financial sector, Société Générale lost FF20.50 to FF429 and Pribas shed FF11.50 to FF461.50.

Nouvelles Galeries, which is being bought in by majority shareholder Galeries Lafayette, was suspended indefinitely, after trading was halted on April 26.

FRANKFURT retreated further in low volume and a number of speculative or special interest situations seemed to lose their appeal. Continental, the tyre maker, was the extreme case, falling DM14 to 8 1/2 per cent of DM153.

Condé Nast lost 1 1/2 per cent to DM13.50, after a 10 per cent drop in 1990 net profit, a 1.80 cash dividend and a stock dividend of one Allianz share for every 250 Generali shares.

Analysts said Generali's cash call had revived old rumours that it could bid for Guardian Royal Exchange, the UK composite. Alternatively, it could increase its holding in Italy's Fondiaria, take a stake in Fiat's Toro or make a US acquisition together with Asa-Midi, its French ally.

MADRID was enlivened by company news, after news of an April inflation figure in line with expectations. Turnover shot up to about Ptas34m from Ptas14.2m, as 2.91m shares were traded in Banesto. The general index rose 1.23 to 266.45.

Banesto's shares jumped Ptas265 or 7 per cent to Ptas2,065 after a block of 2.5m shares was traded at Ptas2,900 each. Market supervisors reported that Asa-Midi, the cement group, had sold its stake to a foreign institution.

Trading in Banco Hispano Americano and Banco Central was suspended at Monday's closing prices of Ptas275 and Ptas6.50, before news that the two banks proposed to merge. The terms were said to favour Hispano shareholders.

FT-SE Eurotrack 100 - May 14							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1125.77	1124.53	1123.23	1122.72	1122.12	1120.78	1116.57	1118.47
Day's High 1125.05				Day's Low 1115.28			
May 13	May 10	May 9	May 8	May 7			
1125.32	1130.52	1125.62	1115.87	1125.75			

Base value 1000 (Eurozone)

1 index point

used response to a disappointing progress report. Midfort fell DM7 to DM253 on profit-taking after a DM20 rise in the previous two days.

MILAN rose again in the wake of the weekend cut in interest rates. After the close, Generali announced a L.1.76 trillion rights issue, raising fears that the market would be drained of much-needed liquidity. The Comit index rose 3.18 to 584.42 in volume thought to be near Monday's L.140m.

Generali closed L20 up at 136,700 ahead of news of its cash call, falling to 135,700 in London trading. The insurer also reported a 10 per cent drop in 1990 net profit, a 1.80 cash dividend and a stock dividend of one Allianz share for every 250 Generali shares.

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STOCKHOLM was initially lifted by first-quarter earnings results from Astra, announced late on Monday, although the market slipped back later. Astra free B shares added SKr21 to SKr596. Volume improved to SKr440m — of which Astra accounted for SKr210m — from SKr315m. The Allshare index rose 0.2 to 94.2.

Nedlloyd rose 80 cents to Fl 60.10 after Mr Torstein Hagen, a major shareholder, said he would join with other shareholders to try to block the 1990 accounts of the loss-making shipping and transport group.

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OSLO fell on profit-taking. The all-share index lost 8.01 or 1.5 per cent to 513.45 in turnover of Nkr493m.

Manila regains composure after April jitters

Greg Hutchinson reviews the best performing stock market in Asia so far this year

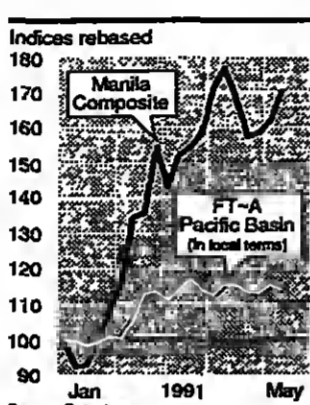
MANILA, the best performing Asian market this year, has recovered from its April jitters. A compromise agreement on US military bases in the Philippines due to be signed later this month, Wall Street's performance and an expansion programme announced by Philippines Long Distance Telephone (PLDT) have helped the market regain its composure.

An early end to the Gulf war shook Manila out of its doldrums in the new year. The composite index set a 1991 high of 1,154.73 on April 8, as optimism about the economy grew after the International Monetary Fund (IMF) and the government agreed on a stabilisation programme, and foreign loans resumed.

On April 10, however, the cost trading day, the index dropped 7.5 per cent to 1,067.68, when the Philippines' third most senior general strongly criticised the appointment of Mr Lisandro Abadía as chief of

staff, and bombs went off at several banks in Manila. The composite index fell 11.4 per cent between April 8 and April 23. It has since recovered most of the ground, rising 16.45 yesterday to 1,125.86, a gain of 73 per cent so far this year.

Another reason for the market's uncertainty in April was a power struggle at San Miguel, the country's largest industrial concern, between the government and Mr Eduardo Cojuangco, the company's former chairman and a friend of the late President Ferdinand Marcos. Mr Cojuangco's shares in San Miguel, amounting to 19 per cent of the issued stock, had been sequestered by the government on suspicion that they were part of the wealth alleged to have been stolen by Marcos. In April, Mr Cojuangco was ousted from a ruling from the Supreme Court which gave him the right to be represented on the board of San Miguel. The decision is currently under appeal.



Source: Datastream

San Miguel's "B" shares fell 16.4 per cent from 70 pesos on April 8 to 58.5 pesos on April 22, standing at 60.5 this week.

Mr Francisco Libano, investment manager at PNB and Grenfell (Philippines), believes that Manila can maintain its position as the best performing market in the region, in spite of significant public offerings

being made in the second half. Ayala Land and Meralco are expected to raise 2.5bn pesos (\$80m). Other planned offerings include Philippine First National Bank and National Steel Corporation, as well as possibly Union Bank, Philippine Airlines and Manila Hotel.

Foreign fund managers, who had their fingers burnt by the December 1989 coup attempt, are trickling back. Their presence will be essential to ensure that the new issues are fully taken up. However, foreigners will only return in force when the government comes to grips with the following issues: an infrastructure programme to rebuild roads, telephone and power installations; getting inflation down; reducing the budget; trade and Oil Price Liberalisation; foreign investment laws.

Inflation — currently at 18 per cent — is the main worry, as the government will have difficulty in meeting an IMF annualised target of less than 10 per cent by the end of the year. The presidential, national and local elections next year — and the \$400m of campaign money — are unlikely to help.

The market currently gives reasonable value, says Mr David Bates of Asia Equity in London. Price/earnings ratios are at an average 12.4 times prospective 1991 earnings, compared with a 1990 p/e of 15.9. PLDT and Philippines National Bank — two of the biggest capitalised stocks — are on p/e ratios of 6.5 and 8.7.

Nevertheless, the Philippines' position as the top performing Asia Pacific market of 1991, is by no means certain. "There is still a lot of consolidation to do after the meteoric rise in the first quarter," says Mr Bates. "Hong Kong is likely to overshadow Manila, now that its new airport and China's most favoured nation (trading status with the US) are both racing certainties."

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ASIA PACIFIC

Nikkei suffers third successive decline

Tokyo

ARBITRAGE buying sustained share prices yesterday morning, but they fell later on continued lack of investor interest and the Nikkei averages declined for the third consecutive day, writes Emiko Terazono in Tokyo.

The index closed down 63.12 at 26,030.06, the day's low, after attaining the day's high of 26,233.46 in the morning. Investors failed to react to lower short-term interest rates. The unsecured overnight call rate, which reflects the Bank of Japan's monetary policy, fell below 8 per cent for the first time in three months.

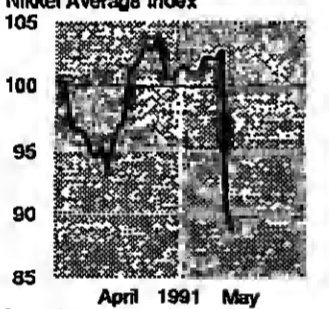
Activity remained subdued, volume totalling 270m shares against Monday's very thin 230m. Declines led rises by 427 to 412 and 221 issues were unchanged. The Topix index of all first section stocks firmed a marginal 0.86 to 1,978.64, and in London the JSE/Nikkei 50 index eased 1.2 to 1,453.1.

Traders said institutions were using arbitrage trading in an attempt to keep the Nikkei above 26,000. Mr Muenori Wakita, strategist at Merrill Lynch, said institutions feared that a heavy sell-off would push the index below 25,000.

The electrical sector continued to lose ground on the poor business outlook for Pioneer Electronic announced at the weekend. Pioneer, which dropped ¥630 on Monday, ended ¥90 lower at ¥4,380.

Pioneer Electronics

Share price relative to the Nikkei Average Index



Source: Datastream

TDK fell ¥200 to ¥5,320 on reports of lower than expected earnings projections.

Banks were stronger on foreign buying. Mitsubishi Bank gained ¥50 to ¥2,800. Regional banks also advanced, Toho Bank climbing ¥100 to ¥960.

Taiyo Sango, an industrial gas maker, rose ¥70 to ¥1,180 on reports that it had developed a device to clean semiconductor chips with ice grains instead of water; in addition to microchips, the device could be used in the production of liquid crystal displays and light-emitting diodes.

Investors sought issues with strong earnings. Yaskawa added ¥38 at ¥716 on reports of a projected 83 per cent rise in pre-tax profits in the year ended in March. Akasaka Diesels, a diesel engine manufacturer, moved ahead ¥100 to ¥1,070 on an

upward revision of pre-tax profits to rise of 72 per cent.

Hitachi Cable rose initially on its expectations of 30 per cent higher pre-tax profits for the current year, but receded on profit-taking to end unchanged on the day at ¥1,140. The company is also expected to benefit from Japan Railway's (JR) capital investment. Nippon Denetsu Kogyo, a rail and signal installations concern also recommended by Japanese brokerages on the "JR theme" added ¥110 to ¥2,020 on individual buying.

Koganei Tsushinki, a broad-casting equipment maker, rose ¥80 to ¥1,640 on rumours that it had received orders from a national television station for its television camcorders.

In Osaka, the OSE average slipped 153.44 to 23,879.43 on volume of 34.7m shares. Small and medium-capital shares were bought, but the weakness in the electrical sector dampened overall sentiment. Nintendo, the video games maker, shed ¥400 to ¥15,300 and Murata lost ¥50 to ¥2,650.

Roundup

THE REGION reversed Monday's pattern, with most markets a little better in spite of strong earnings. Tokyo's Nikkei 225 index fell 63.12 to 26,030.06.

NEW ZEALAND took its largest tumble for 1991, the Barclays Index falling 40.91 to 1,497.30; with Monday's decline of 35.53, this makes a 4.9 per cent drop over two days.

Turnover more than halved, from NZ\$27.8m to NZ\$13.4m. The slide, however, was blamed on Fletcher Challenge, which said last Friday that it was placing 75m shares with institutions. Fletcher weakened 12 cents to NZ\$3.78 yesterday, against a placing price of NZ\$4.50. It has lost 9.6 per cent in a week.

HONG KONG closed firmer, but off the day's highs, on continued optimism about the new airport project. After opening easier, the Hang Seng index climbed to 3,797 before ending 17.51 up at 3,785.14, its best close in five weeks. Turnover increased to HK\$1.23bn from HK\$1.06bn.

SEOUL advanced on reports that the government was considering a reduction in domestic oil prices. The composite index rose 7.77 to 538.61 in turnover of Won115.1bn.

SINGAPORE was quiet, but the Straits Times Industrial index added 7.76 at 1,525.15 in volume of S\$88.5m, against S\$65.7m in KUALA LUMPUR, the composite index firmed 2.13 to 87.12 at 32.6m shares changed hands, after Monday's 25.4m. BANGKOK rallied after recent weakness. The SET index moved up 5.83 to 833.79 in light trades of 3.08bn baht.

AUSTRALIA's All Ordinaries index eased 4.3 to 1,518.9 as turnover fell from A\$270m to A\$176m ahead of today's March quarter inflation report. JAK-ARTA saw profit-taking and the index dipped 2.0 to 404.93. Volumes were down slightly to 3.23m shares from 3.48m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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